

May 24, 2019

## Shri Ram Switchgears Limited: Ratings Downgraded

### Summary of Rated Instrument:

Instrument*	Previously rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based Limits- Cash Credit	17.00	17.00	[ICRA]C+; revised from [ICRA]B+ (Stable)
Fund Based Limits- Term Loan	2.70	2.70	[ICRA]C+; revised from [ICRA]B+ (Stable)
Non-fund Based Limits- Bank Guarantee	48.00	48.00	[ICRA]C+; revised from [ICRA]B+ (Stable)
Non-fund Based Limits-Letter of Credit	5.00	5.00	[ICRA]A4; Reaffirmed
<b>Total</b>	<b>72.70</b>	<b>72.70</b>	

### Material Event

Shri Ram Switchgears Private Limited announced its half yearly results on May 18, 2019. The company reported operating income of Rs. 28.22 crore with operating profit of Rs. 7.65 crore and net profit of Rs. 0.77 crore in FY2019 against an operating income of Rs. 54.95 crore with operating profit of Rs. 11.23 crore and net profit of Rs. 2.25 crore in FY2018. The company's liquidity position continues to remain stretched owing to delays in collections and finished good inventory on its books as on March 31, 2019.

### Impact of the Material Event

The long-term rating has been revised to [ICRA]C+ (pronounced ICRA C plus) from [ICRA]B+ (pronounced ICRA B plus) and reaffirmed the short-term rating at [ICRA]A4 (pronounced ICRA A four) on the Rs. 72.70-crore bank facilities of Shri Ram Switchgears Limited (SRSL).

### Rationale

The revision in ratings takes into account the underperformance of the company as reflected by drop in revenues to Rs. 28.22 crore in FY2019, which is 48.65% de-growth on a YoY basis, on account of low outstanding orderbook position and limited exposure to non-fund based exposure limiting its ability to secure fresh orders. Further, the liquidity position of the company remains stretched with high receivables and finished good inventory as reflected by high NWC/OI of 192% in FY2019.

### Outlook – Not Applicable

### Key rating drivers

### Credit strengths

**Long standing experience of promoters** - The promoters of the company have been involved in the transformer manufacturing business over the past three decades.

## Credit challenges

**Decline in the scale of operations** – The company’s revenues declined to Rs. 28.22 crore in FY2019 from Rs. 54.95 crore in FY2018 on account of low outstanding orderbook position, weak demand scenario, inadequacy of non-fund based limits resulting in inability to secure new orders.

**Stretched liquidity position** – The liquidity of the company continues to remain stretched owing to a stretch in the working capital cycle with NWC/ OI of 192% in FY2019 due to delayed collections and inventory build-up.

## Key Financial Indicators (Audited)

	FY2018	FY2019
Operating Income (Rs. crore)	54.95	28.22
PAT (Rs. crore)	2.25	0.77
OPBDIT/OI (%)	20.43%	27.10%
RoCE (%)	21.30%	14.11%
Total Debt/TNW (times)	1.96	1.92
Total Debt/OPBDIT (times)	3.22	4.82
Interest Coverage (times)	1.47	1.08
NWC/OI (%)	93%	192%

The previous detailed rating rationale is available on the following link: [Click here](#)

## About the company

SRSL, promoted by the Jhalani family of Ratlam (Madhya Pradesh) since 1985, manufactures electrical items such as distribution transformers, switchgear, meter boxes, feeder pillars, distribution boxes, and junction boxes used in the distribution of power and also undertake erection, installation, and operation and maintenance of these items for its customers. Its manufacturing units are located in Ratlam. Customer profile mainly consists of power discoms in Madhya Pradesh and Mumbai.

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