

February 17, 2020

Shri Ram Switchgears Limited: Ratings downgraded to [ICRA]D

Summary of rating action

Instrument*	Previously Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash credit	17.00	17.00	[ICRA]D; Downgraded from [ICRA]C+
Fund-based – Term Loan	2.70	2.70	[ICRA]D; Downgraded from [ICRA]C+
Non-Fund based limits- Bank Guarantee	48.00	48.00	[ICRA]D; Downgraded from [ICRA]C+
Non-Fund based limits- Letter of Credit	5.00	5.00	[ICRA]D; Downgraded from [ICRA]A4
Total	72.70	72.70	

*Instrument details are provided in Annexure-1

Rationale

The downgrade in the ratings reflects irregularities in debt servicing by the company as confirmed by its lender owing to its stretched liquidity.

Outlook: Not Applicable

Key rating drivers and their description

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

Irregularities in debt-servicing – There has been irregularities in servicing of non-fund based facilities.

Liquidity position: Poor

Shri Ram Switchgears Limited's (SRSL) liquidity is poor as reflected in irregularities in its debt servicing.

Rating sensitivities

Positive triggers: ICRA could upgrade SRSL's rating if the company demonstrates a track record of timely debt-servicing.

Negative triggers: Not applicable.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on Default Recognition
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on standalone financial statements of the issuer

About the company

Shri Ram Switchgears Limited (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. The contracts are primarily secured through bidding for tenders floated by the discoms.

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/ OPBDITA (times)	3.22	4.82
Interest Coverage (times)	1.47	1.08

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding	Rating		FY2019	FY2018	FY2017
					17-Feb-20	24-May-19	26-Nov-18	23-Nov-17	22-Mar-17
1	Fund-based CC Limit	Long Term	17.00	-	[ICRA]D	[ICRA]C+	[ICRA]B+ (Stable)	[ICRA]BB- (Stable)	[ICRA]B+ (Stable)
2	Fund-based Term Loan	Long Term	2.70	-	[ICRA]D	[ICRA]C+	[ICRA]B+ (Stable)	[ICRA]BB- (Stable)	[ICRA]B+ (Stable)
3	Non-fund Based Bank guarantee	Long Term	48.00	-	[ICRA]D	[ICRA]C+	[ICRA]B+ (Stable)	[ICRA]BB- (Stable)	[ICRA]B+ (Stable)
4	Non-fund Based- Letter of Credit	Short Term	5.00	-	[ICRA]D	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4

Amount in Rs. Crore

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	17.00	[ICRA]D
NA	Term Loan	-	-	-	2.70	[ICRA]D
NA	Bank Guarantee	-	-	-	48.00	[ICRA]D
NA	Letter of Credit	-	-	-	5.00	[ICRA]D

Source: SRSI

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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