

APRIL 13, 2016

CARE ASSIGNS 'CARE A-' AND 'CARE A2' RATINGS TO THE BANK FACILITIES OF SEALWEL CORPORATION PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	21.50	CARE A- (Single A Minus)	Assigned
Short term Bank Facilities	76.50	CARE A2 (A Two)	Assigned
Total Facilities	98.00 (Rupees Ninety Eight crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Sealwel Corporation Private Limited (SCPL) derive comfort from experienced and resourceful promoters with established track record, healthy growth in the total operating income, comfortable overall financial risk profile, efficient working capital management and moderate order book position from reputed client base.

The ratings are, however, constrained on account of relatively small scale of operations, tender based nature of operations in intensely competitive power transmission and distribution industry and fragmented nature of industry with many unorganized players.

The ability of the company to scaling up its operations, maintain comfortable working capital cycle with sustainable profitability margin and comfortable capital structure are the key rating sensitivities.

Background

SCPL was initially set up as a proprietary firm in the year 1993. In June 2010, the firm was reconstituted as a private limited company and renamed to current nomenclature. The company is promoted by Mr B. Subba Rao who is also the managing director of the company. Mr Subba Rao is supported by his son, Mr B. Naga Raju, Joint Director.

The company is into assembly and erection works of transformers and sub-stations with minor portion of revenue being derived from trading of electrical equipment. The clientele of the company include state electricity distribution companies from the states of Maharashtra, Andhra Pradesh, Telangana, Karnataka, etc. The company executes contracts for the projects which are mostly funded by government such as rural electrification under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and construction of sub-stations and connected lines under Restructured Accelerated Power Development & Reform Programme (RAPDRP) funded by Rural Electrification Corporation (REC).

The company purchases majority of required materials from two other companies, namely, Transcon Industries (TI) and Hi-Power Electrical Industries (HEI) which are owned and managed by close family members of Mr B. Subba Rao. Both TI and HEI are into manufacturing of transformers.

During FY15 (refers to the period April 1 to March 31), SCPL purchased about 43% of its material requirements from HEI (about 24%) and TI (about 19%).

As on January 29, 2016, the company had confirmed order book of Rs.216.21 crore with works spread across Andhra Pradesh, Tamil Nadu and Karnataka.

During FY15, SCPL has reported net profit of Rs.8.25 crore on a total operating income of Rs.151.25 crore as against net profit of Rs.6.38 crore on a total operating income of Rs.126.66 crore in FY14.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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