

January 23, 2023

## Siri Tecon: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based/Cash credit	0.75	2.75	[ICRA]BB(Stable) reaffirmed;
Long-term / Short term – Non fund based	4.00	4.00	[ICRA]BB(Stable)/[ICRA]A4 reaffirmed;
Long-term / Short term – unallocated	5.25	3.25	[ICRA]BB(Stable)/[ICRA]A4 reaffirmed;
<b>Total</b>	<b>10.00</b>	<b>10.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings consider Siri Tecon's (ST) extensive experience in fabrication of fire-fighting vehicles, which has resulted in established relationships and repeat orders from its clients. The ratings also consider the firm's comfortable coverage indicators with interest coverage of 3.1 times in FY2022. The firm's order book improved significantly to Rs. 54.7 crore as on December 31, 2022, from Rs. 11.8 crore as on August 31, 2021, which would support healthy revenue growth of 90-100% in FY2023. However, the firm's scale of operations is expected to remain small, indicated by the expected revenues of Rs. 35-40 crore in FY2023 and net worth of ~Rs. 7.0 crore as on March 31, 2023. The ratings are constrained by thin profit margins owing to limited value addition in the fire engine fabrication business and high debtor and inventory days, which are partly funded through creditors, leading to high TOL/TNW.

The Stable outlook on the [ICRA]BB rating reflects ICRA's belief that ST will continue to benefit from its extensive experience in the fabrication business, which would support growth in its earnings and its financial profile.

### Key rating drivers and their description

#### Credit strengths

**Experience of promoters spanning over a decade in fabrication of fire-fighting vehicles** – The promoters have more than a decade of experience in fabrication of fire-fighting vehicles, industrial and public transport vehicles. The firm has established relationships with its customers, resulting in repeat orders over the years. The firm is also a part of the diversified Sentini Group of Companies, which has presence in Indian Made Foreign Liquor (IMFL) manufacturing, hospital, manufacturing of ceramic floor tiles and polyvinyl chloride (PVC) pipes, information technology, etc.

**Comfortable coverage indicators** – ST had low term debt as on March 31, 2022, and comfortable debt coverage indicators reflected in interest coverage of 3.1 times and NCA/TD of 31.1% in FY2022, which are expected to remain comfortable in the near term as the firm does not plan to avail any additional debt.

#### Credit challenges

**Small scale of operations** – The firm's scale of operations is small with revenues of Rs.18.0 crore in FY2022, which improved marginally from Rs. 16.9 crore in FY2021 owing to increase in order execution. Further, the firm recorded Rs. 13.3 crore in 7M FY2023 and had an order book of Rs. 54.7 crore as on December 31, 2022, which would support healthy revenue growth of 90-100% in FY2023. However, the firm's scale of operations is still expected to remain small, indicated by the expected revenues of Rs. 35-40 crore in FY2023 and net worth of ~Rs. 7.0 crore as on March 31, 2023.

**High receivable and inventory days and reliance on creditors** – The firm’s NWC/OI increased to 26.5% in FY2022 from 6.0% in FY2021 owing to high receivable days of 196 as on March 31, 2022, as the firm recorded significant revenues in Q4 FY2022. The inventory days also increased in FY2022 to 76 days as the firm had pending orders to be fulfilled in Q1 FY2023. In addition, the firm depends highly on credit period from suppliers and customers to meet its working capital requirements, owing to low limits from the bank. The working capital intensity is expected to remain high in FY2023 as well, as the firm is expected to book substantial revenue in Q4FY2023; since the same is expected to be funded through creditors, TOL/TNW is also expected to be high as on March 31, 2023.

**Risks associated with a partnership firm** – Given ST’s constitution as a partnership firm, it is exposed to the risks including the possibility of withdrawal of capital by the partners, as seen in the past.

### Liquidity position: Adequate

The liquidity is **adequate**, with moderate free cash balances of Rs. 1-2 crore as on November 30, 2022. The firm does not have any major capex plans and has repayment obligations of Rs. 0.2 crore for the next twelve months. The firm enhanced its fund-based limits to Rs. 2.75 crore from Rs. 0.75 crore. However, given the high working capital requirements on account of healthy revenue growth, the buffer available in the fund-based limits is limited. ICRA notes that the increased working capital requirements would be funded through creditors. Moreover, the firm’s partners are expected to infuse funds, if required.

### Rating sensitivities

**Positive factors** – ICRA could upgrade ST’s ratings, if the firm demonstrates any substantial growth in its revenue, while maintaining the profit margins, improving its net worth position and thus strengthening its interest coverage ratio to more than 3.0 times, on a sustained basis, along with an improvement in the order book.

**Negative factors** – ICRA could downgrade ST’s ratings, if its revenue declines substantially, or any stretch in the working capital cycle weakens its liquidity. A specific credit metric for a downgrade is if TOL/TNW is more than 2.5 times, on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Siri Tecon

### About the company

Siri Tecon is a partnership firm constituted in March 2000 and is promoted by Ms. K Jaya and her family members. The firm is a part of the Sentini Group of Companies, which include Sentini Bioproducts Private Limited, Sentini Beverages Private Limited, Sentini Hospitals Private Limited, and Sentini Cermica Private Limited, among others. The firm is involved in fabrication of fire-fighting heavy vehicles and industrial and public-transport vehicles. The firm is certified by the Directorate General of Quality Assurance and the Ministry of Defence, Government of India.

### Key financial indicators (audited)

	FY2021	FY2022
<b>Operating income</b>	16.9	18.0
<b>PAT</b>	0.3	0.4
<b>OPBDIT/OI</b>	3.2%	3.7%
<b>PAT/OI</b>	2.0%	2.0%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.8	2.1
<b>Total debt/OPBDIT (times)</b>	-	2.5
<b>Interest coverage (times)</b>	2.6	3.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Note: Amount in Rs. crore; All calculations are as per ICRA Research; Source: Company data, ICRA Research

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount o/s as of Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	FY2022	FY2021	FY2020
				Jan 23, 2023	Oct 11, 2021	Sep 17, 2020	Oct 31, 2019
<b>1 Cash credit</b>	Long term	2.75	--	[ICRA]BB(Stable)	[ICRA]BB(Stable)	[ICRA]BB(Stable)	[ICRA]BB-(Stable)
<b>2 Bank guarantee</b>	Long term / Short term	4.00	--	[ICRA]BB(Stable)/ [ICRA]A4	[ICRA]BB(Stable)/ [ICRA]A4	[ICRA]BB(Stable)/ [ICRA]A4	[ICRA]BB-(Stable)/ [ICRA]A4
<b>3 Unallocated limits</b>	Long term / Short term	3.25	--	[ICRA]BB(Stable)/ [ICRA]A4	[ICRA]BB(Stable)/ [ICRA]A4	[ICRA]BB(Stable)/ [ICRA]A4	[ICRA]BB-(Stable)/ [ICRA]A4

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – fund-based/Cash credit	Simple
Long-term /Short term – Non fund-based	Very Simple
Long-term /Short term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	NA	NA	2.75	[ICRA]BB(Stable)
NA	Bank guarantee	NA	NA	NA	4.00	[ICRA]BB(Stable)/[ICRA]A4
NA	Unallocated	NA	NA	NA	3.25	[ICRA]BB(Stable)/[ICRA]A4

Source: Firm data

[Click here to view lender wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – NA**

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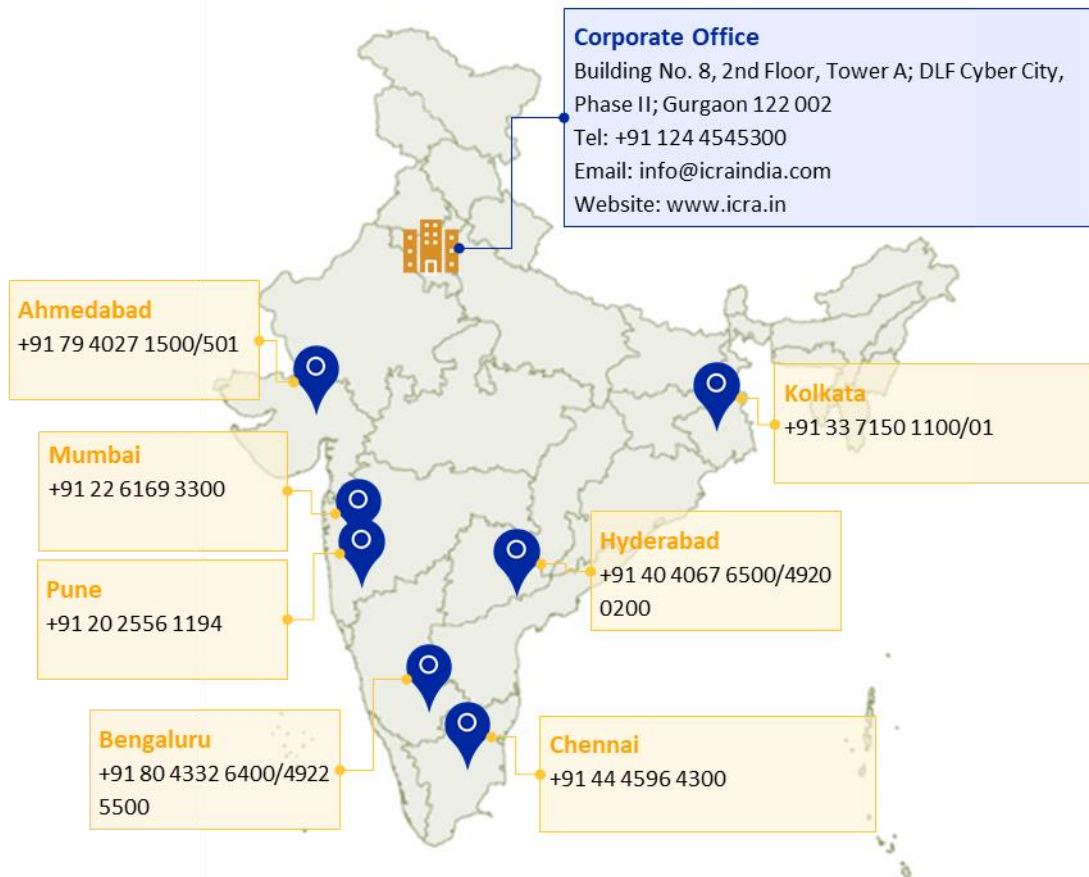
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