

Rating Advisory

December 08, 2021 | Mumbai

Starlit Power Systems Limited

Advisory as on December 08, 2021

This rating advisory is provided in relation to the rating of Starlit Power Systems Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Improvement in operating income by over 10%
- Sufficient cash accrual to meet debt obligation
- Track record of timely debt repayment

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Starlit Power Systems Limited (SPSL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If SPSL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

Based in Delhi, SPSL manufactures refined lead, lead alloys and lead acid batteries. Its manufacturing unit is in Gurugram, Haryana. The company was started in 2008 by Mr Sachin Sridhar, Mr Surinder Pal and Mr Yogesh Gupta.

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Rating Rationale

September 11, 2020 | Mumbai

Starlit Power Systems Limited

Rating migrated to 'CRISIL D'

Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore
Long Term Rating	CRISIL D (Migrated from 'CRISIL D ISSUER NOT COOPERATING'*)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

*Issuer did not cooperate; based on best-available information

Detailed Rationale

Due to inadequate information and in line with the Securities and Exchange Board of India guidelines, CRISIL had migrated its ratings on the bank facilities of Starlit Power Systems Limited (SPSL) to 'CRISIL D/CRISIL D Issuer Not Cooperating'. However, the company's management has subsequently started sharing the requisite information necessary for carrying out a comprehensive review of the ratings. Consequently, CRISIL is migrating the rating to 'CRISIL D'.

The ratings reflect delay by the company in servicing debt because of weak liquidity. The ratings also reflect susceptibility of operating margin to fluctuations in raw material prices, modest scale of operations and large working capital requirement. These weaknesses are partially offset by the extensive experience of the promoters in the diversified metals and mining industry.

Key Rating Drivers & Detailed Description

Weaknesses

*** Delays in debt repayment**

Stretch in receivables have constrained cash flow, resulting in delays by SPSL in servicing the interest on the term loan.

*** Susceptibility of operating margin to fluctuations in raw material prices:** On account of fluctuations in raw material prices, the operating profitability has remained low over the years. It was negative 16% in fiscal 2020.

*** Modest scale of operations:** SPSL's business profile is constrained by its subdued scale in the intensely competitive diversified metals and mining industry. The company's modest scale of operations will continue to limit its operating flexibility.

*** Working capital-intensive operations:** Gross current assets (GCAs) were 270-425 days over the three fiscals ended March 31, 2020. Intensive working capital management is reflected in GCAs of 270 days as on March 31, 2020 (over 204 days for some of its peers) driven by high debtors of 100-264 days.

Strength

*** Extensive industry experience of the promoters:** The promoters have experience of over a decade in the diversified metals and mining industry. This has given them an understanding of the market dynamics and enabled them to establish strong relationships with suppliers and customers.

Liquidity Poor

Cash accrual was insufficient against maturing debt obligation in fiscal 2020. Bank limit utilisation averaged 96% over the 12 months through July 2020. Current ratio stood at 0.84 time as on March 31, 2020.

Rating Sensitivity Factors

Upward factors

- * Improvement in operating income by over 10%
- * Sufficient cash accrual against the maturing debt
- * Track record of timely repayment of debt.

About the Company

SPSL, based in Delhi, manufactures refined lead, lead alloys and lead acid batteries. The manufacturing unit is located in Gurugram, Haryana. The company was started in 2008 by Mr Sachin Sridhar, Mr Surinder Pal and Mr Yogesh Gupta.

Mr.Sachin Sridhar left the company in 2019.

Key Financial Indicators

Particulars	Unit	2020	2019
Revenue	Rs.Crore	11.55	14.05
Profit After Tax (PAT)	Rs.Crore	-4.29	-5.12
PAT Margin	%	-14.74	-28.71
Adjusted debt/adjusted networth	Times	-4.39	-5.18
Interest coverage	Times	-1.41	-0.75

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating

Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	2	NA	CRISIL D
NA	Term Loan	NA	NA	Mar-2028	7.45	NA	CRISIL D
NA	Funded Interest Term Loan	NA	NA	Mar-2024	8.52	NA	CRISIL D
NA	Working Capital Term Loan	NA	NA	Mar-2028	7	NA	CRISIL D
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	0.03	NA	CRISIL D

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	25.00	CRISIL D			19-11-19	CRISIL D (Issuer Not Cooperating)*	30-08-18	CRISIL D (Issuer Not Cooperating)*	17-07-17	CRISIL D (Issuer Not Cooperating)*	CRISIL D
Non Fund-based Bank Facilities	LT/ST	--	--			19-11-19	CRISIL D (Issuer Not Cooperating)*	30-08-18	CRISIL D (Issuer Not Cooperating)*	17-07-17	CRISIL D (Issuer Not Cooperating)*	CRISIL D

All amounts are in Rs.Cr.

*Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	2	CRISIL D	Bill Discounting under Letter of Credit	2	CRISIL D/Issuer Not Cooperating
Funded Interest Term Loan	8.52	CRISIL D	Cash Credit	9.8	CRISIL D/Issuer Not Cooperating
Proposed Long Term Bank Loan Facility	.03	CRISIL D	Proposed Long Term Bank Loan Facility	5.27	CRISIL D/Issuer Not Cooperating
Term Loan	7.45	CRISIL D	Term Loan	7.93	CRISIL D/Issuer Not Cooperating
Working Capital Term Loan	7	CRISIL D	--	0	--
Total	25	--	Total	25	--

Links to related criteria

[Assessing Information Adequacy Risk](#)

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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