

Press Release

Encorp Powertrans Private Limited

January 06, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Fund Based Facility - Cash Credit	30.00	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Long Term Fun Based Facility -Term Loan	0.30	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
3.	Short Term Non-Fund Based Facility - Bank Guarantee	45.00	IVR A4+ (IVR A Four Plus)
4.	Short Term Non-Fund Based Facility - Letter of Credit	15.00	IVR A4+ (IVR A Four Plus)
	Total	90.30	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from extensive experience of the promoters, modest order book, location specific benefits and favourable demand prospects for heavy steel structures. However, the rating strengths are partially offset by average risk profile and intensely competitive industry.

Key Rating Sensitivities:

Upward Factors:

- Significant improvement in operating and profitability margins
- Significant improvement in the overall gearing ratio

Downward Factors:

- Deterioration in margins and / or debt protection metrics

List of key rating drivers with detailed description

Key Rating Strengths

Extensive experience of the promoters:

The company has been set up under the leadership of Dr. Rahul Nowal (Director) and Mr. Vinay Nowal (Director). Collectively, they have rich experience in the particular industry and are instrumental in setting up and developing the venture. Having operated in industry since years now, the promoters have established a strong network with suppliers and customers.

Modest order book:

With promoters' extensive experience, established network and effective completion capabilities, the company has been able to build up a sizeable order book of Rs. 170.00 crore as on November 30, 2019. The company expects to book the revenue for the same in the current financial year. Further the order book is diversified across Infrastructure based EPC contractors, solar panel manufacturers and Railways electrification. Also, the total sales for H1FY20 was around Rs. 59.09 crore as per the provisional figures.

Location specific benefits:

Setup over a substantial land mass of 15 acres, the manufacturing unit of the company is located in Tarapur, in the Palghar district of Maharashtra. It procures its key raw materials from local units, which provides logistics convenience, while ensuring prompt receipt of raw materials. It also has an ease of access to rolling mills of Raipur, Nagpur and Gujarat. Proximity to the raw materials sources enables the company to keep a low inventory.

Favourable demand prospects for heavy steel structures:

Demand prospects for steel structures in India are favourable, with increasing focus on their use across segments such as building construction, roads, bridges, ports, airports, etc. Further the government's increasing interest in infrastructure development augur well for the fabrication industry.

Key Rating Weakness

Average Risk Profile:

The company's risk profile is marked by moderate net worth of Rs. 20.80 crore as on March 31, 2019 as compared to Rs. 18.01 crore a year ago, including the redeemable preference shares of Rs.4.50 crore (issued to the equity shareholders with a tenure of 20 years). The overall

gearing of the company increased to 3.43x as on March 31, 2019 from 1.95x as on March 31, 2018. Also, the interest coverage (ICR) was moderate at 1.85x in FY19, up marginally from 1.81x in FY18.

Intensely competitive industry:

Given marginal capital investment requirements and low technical complexity, the steel fabrication industry is highly fragmented with numerous unorganised players. Further, there are organised domestic players as well as international suppliers, who work in joint venture with domestic companies or as subcontractors for large companies, posing intense competition.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

EPPL has moderate liquidity marked by net cash accruals of Rs. 3.86 crore. The company has high reliance on working capital borrowings, the cash credit limit in the company remained utilized at ~90 percent during the last 6 months period ended October 2019.

About the Company

Encorp Powertrans Private Limited (EPPL) is an engineering group, which was set up on 15 acres at Tarapur, EPPL offers fabrication and galvanizing facilities to cater to the Tower and Infrastructure industry. It offers a wide array of engineering services ranging from Plate Fabrication, Machining & Assembly, Structural Steel fabrication (Punching, Shearing, Notching, Bending, etc.), Sheet Metal fabrication and Hot Dip Galvanizing through its Transmission Line Towers (TLT) & General Electrical Verticals.

Financials

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	117.81	151.88
EBITDA	9.96	10.17
PAT	2.14	2.79
Total Debt	35.11	71.26
Tangible Net worth	18.01	20.80

EBITDA Margin (%)	8.45	6.69
PAT Margin (%)	2.33	2.32
Overall Gearing Ratio (x)	1.95	3.43

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Facility - Cash Credit	Long Term	30.00	IVR BB+/ Stable outlook	--	--	--
2.	Long Term Fun Based Facility - Term Loan	Long Term	0.30	IVR BB+/ Stable outlook	--	--	--
3.	Short Term Non-Fund Based Facility - Bank Guarantee	Short Term	45.00	IVR A4+	--	--	--
4.	Short Term Non-Fund Based Facility - Letter of Credit	Short Term	15.00	IVR A4+	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Parth Dattani

Tel: (022) 62396023

Email: pdattani@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility - Cash Credit	--	--	--	30.00	IVR BB+/ Stable outlook
Long Term Fun Based Facility -Term Loan	--	--	Sep 2020	0.30	IVR BB+/ Stable outlook
Short Term Non-Fund Based Facility - Bank Guarantee	--	--	--	45.00	IVR A4+
Short Term Non-Fund Based Facility - Letter of Credit	--	--	--	15.00	IVR A4+