



Press Release

Akanksha Power and Infrastructure Limited

March 13,2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	6.00	IVR BB+/Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Proposed Long Term Bank Facilities	6.00	IVR BB+/Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Short Term facilities	6.80	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Proposed Short Term facilities	5.70	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	24.50 (Rupees Twenty-four crore and fifty lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities Akanksha Power and Infrastructure Limited (APIL) derives strength from comfortable capital structure with adequate debt protection metrics, adequate order book reflecting satisfactory medium-term revenue visibility, reputed clientele and extensive experience of the promoters in electric power industry. The ratings however constrained by small scale of operations with decline in total operating income in FY23 over FY22, presence in a highly fragmented and competitive electric power industry and working capital intensive nature of business. The Positive Outlook continues to reflect Infomerics expectations of improvement in total revenue and improvement in credit profile with equity infusion through Initial Public Offerings (IPO) and improvement in operating profitability.



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Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue along with improvement in EBITDA margins on a sustained basis, leading to improvement in overall financial risk profile of the company.
- Significant improvement in capital structure and debt protection parameters and liquidity position of the company.

Downward Factors

- Any decline in revenue and profitability leading to deterioration in debt protection metrics.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Comfortable capital structure with adequate debt protection metrics

APIL has successfully listed on NSE-SME platform on January 01, 2024. Promoters has diluted its stake to 60.81% after public issue. Issue size of APIL was Rs.27.49 crore. Objectives of the issues is to meet working capital requirements along with capital expenditure requirements of the APIL. It will use Rs. 5.00 crore for capex out of which Rs.2.00 crore will be used for specialised test bench and Rs.3.00 crore will be used for buying second hand machinery. APIL will be using Rs.15.00 crore for working capital requirements.

The overall gearing ratio marginally deteriorated and stood at 0.97x in FY23, as against 0.79x in FY22, mainly due to marginal increase in total debt. TOL/TNW stood at the similar levels at 2.02x in FY23 as against 1.93x in FY22. The interest coverage and total debt/ GCA ratios remained at adequate levels and stood at 4.57x and 4.82x respectively in FY23 as against 4.55x and 3.84x respectively in FY22.

Adequate order book reflecting satisfactory medium-term revenue visibility.

APIL has changed its focus from EPC/turnkey projects to manufacturing smart energy meters. It has a moderate order book position of Rs.44.27 crore as of February 2024, reflecting moderate medium-term revenue visibility.



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Reputed clientele

APIL has an established customer base such as TP Northern Odisha Distribution Ltd., Hitachi Energy India Limited, ABB Limited etc. Reputed customer base reduces counter party payment risk to a certain extent.

Extensive experience of the promoters in electric power industry

APIPL's key promoter, Mr. Bipin B Das Mohapatra, has an extensive experience of more than two decades in the electric power industry which has enabled APIPL to establish healthy relationships with its suppliers and clientele. Mr. Bipin B Das Mohapatra is well supported by the other directors and a team of experienced and qualified professional in managing the day-to-day affairs of the company.

Key Rating Weaknesses

Small scale of operations with decline in total operating income in FY23

Despite long track record of the company, scale of operations is relatively small marked by total operating income (TOI) of Rs.46.09 crore during FY23. APIL's total operating income has decreased by 11.09% in FY23, mainly on account as APIL had agreement with NESCO, Odisha till September 2021 for sale of power, the contract got terminated after TATA took over distribution companies managed by Odisha government because of this APIL has not generated any revenue from sale of power in FY23, leading to decrease in revenue.

However, In FY23, APIL's EBITDA margin has improved to 11.47% in FY23 from 9.31% in FY22 on account of lower operating expenses.

Working capital intensive nature of business

The operating cycle has increased to 154 days in FY23 (Vis-à-vis 134 days in FY22) driven by high inventory period which has increased from 19 days in FY22 to 53 days in FY23.

The high working capital requirements were met largely through bank borrowings, which has resulted average utilization of working capital facilities at ~68% of its sanctioned working capital limits for the 12 months period ended December 2023, highlighting the high working capital intensiveness of APIPL's operations.



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Presence in a highly fragmented and competitive electric power industry

The electric power industry is highly fragmented due to low entry barriers such as minimal capital and technology requirements. Further, the tender-based business necessitates aggressive bidding and leads to fluctuation in sales. Intense competitive pressure and tender-based operations may continue to constrain scalability, pricing power and profitability. However, these risks are partially offset because existing players are preferred over new entrants as tender requirement includes conditions such as minimum years of experience, number of meters manufactured, quality certificates and scale of turnover.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The APIPL's liquidity is likely to remain adequate given the expected cash accruals in the range of Rs.4.15 crore to Rs.17.29 crore in the period of FY24 -26 as against the repayments of Rs.0.80 crore. The free cash balance as on March 31, 2023, stood at Rs.4.17 crore while average working capital utilisation for the 12 months ended January 2024 remained at ~70%. Current ratio stood at 1.38x as on March 31, 2023.

About the company

APIPL was established in the year 2008 by Mr. Bipin B. Das Mohapatra and Mr. Shashank Manerikar. APIPL has been working in the field of Aggregate Technical & Commercial (AT&C) loss reduction initiatives, and in the areas of reactive power compensation to reduce the technical losses in transmission and distribution as well as the AMI infrastructure to control the commercial losses. The company is engaged in design, manufacturing of indoor or outdoor current transformer (CT) - voltage transformer (PT), metering unit and cubical, automatic power factor correction panel (Capacitor Panel), fixed capacitor banks, MCC, PCC, VFD panels, Thyristor Switches & Vacuum Contactors, energy management system and smart



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energy meters, engineering and execution of electrical turnkey projects. The company's manufacturing plant is at Nashik, Maharashtra.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	51.84	46.09
EBITDA	4.83	5.29
PAT	2.43	2.84
Total Debt	10.31	15.28
Tangible Networkth	13.12	15.70
Ratios		
EBITDA Margin (%)	9.31	11.47
PAT Margin (%)	4.67	6.12
Overall Gearing Ratio (Adjusted) (x)	0.79	0.97

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Jan 04, 2024)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (June 11, 2021)
1.	Long Term Facilities	Long Term	6.00	IVR BB+/Positive	IVR BB+/Positive	December 16, 2022 IVR BB+/Stable September 02, 2022 IVR BB+; Issuer Not Cooperating*	IVR BBB-/Stable



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2.	Proposed Long term facilities	Long term	6.00	IVR BB+/Positive	IVR BB+/Positive	December 16, 2022 IVR BB+/Stable September 02, 2022 IVR BB+; Issuer Not Cooperating*	IVR BBB-/Stable
3.	Short Term Facilities	Short Term	6.80	IVR A4+	IVR A4+	December 16, 2022 IVR A4+ September 02, 2022 IVR A4+	IVR A3
4.	Proposed Short term facilities	Short Term	5.70	IVR A4+	-	-	-

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

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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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
Cash Credit	-	-	-	6.00	IVR BB+/Positive
Proposed Cash Credit	-	-	-	2.50	IVR BB+/Positive
Proposed WCTL	-	-	-	3.50	IVR BB+/Positive
Letter of Credit	-	-	-	4.80	IVR A4+
Proposed Letter of Credit	-	-	-	2.70	IVR A4+



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Bank Guarantee	-	-	-	2.00	IVR A4+
Proposed Bank Guarantee	-	-	-	3.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-Akanksha-Power-13032024.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.