



## Press Release

### Akanksha Power and Infrastructure Pvt. Ltd.

June 11, 2021

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	12.50	IVR BBB- / Stable (Triple B Minus; Outlook: Stable)	Assigned
Long Term / Short Term Bank Facilities	2.50	IVR BBB- / Stable (Triple B Minus; Outlook: Stable) IVR A3 (IVR A Three)	Assigned
<b>Total</b>	<b>15.00</b> <b>(Fifteen crore only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Akanksha Power and Infrastructure Pvt Ltd (APIPL) derives strength from the extensive experience of the promoters in the power industry, reputed clientele as also adequate order book reflecting satisfactory medium-term revenue visibility aiding the revenue momentum which has increased significantly in FY2021. The assigned rating also factors in the comfortable capital structure which is likely to be maintained in the near term with adequate debt protection metrics. However, these ratings are constrained by moderate scale of operations, presence in a highly fragmented & competitive power infrastructure sector and working capital intensive nature of business.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained improvement in revenue while maintaining operating margin above 10% levels
- Improvement in the capital structure and debt protection metrics
- Sustained improvement in the collection period

##### Downward Rating Factor

- Moderation in operating margin below and/or cash accrual or deterioration in operating margin to below 9%
- Moderation in the capital structure with overall gearing above 1.0x and /or deterioration in debt protection metrics
- Elongation in average collection period above 60 days with deterioration in liquidity



## Press Release

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Extensive experience of the promoters in electric industry**

APIPL, key promoter, Mr. Bipin B Das Mohapatra has an extensive experience of 25 years' in the power industry. Besides, an input-based franchisee operation of a Rural Distribution Sub-division in NESCO, Odisha since 2010, APIPL manufactures customised electrical products mainly aimed at power distribution segment. The promoters also have around decades of experience in executing turnkey projects in the electrification industry with clientele being government as well as private sector clients. APIPL has completed projects worth more than Rs.200 crore since its inception. APIPL also has tied up with some entities for advanced product development.

##### **Reputed clientele albeit moderate client concentration**

APIPL has executed projects and has undertaken manufacturing contracts for companies like HAL, Indian Oil Corporation, Toshiba, Coal India's subsidiaries, among others. APIPL is an electricity distribution franchisee in one of the sub-divisions of the Odisha State Electricity Board. The company also manufactures electrical panels, current and voltage transformers, and executes turnkey projects for installation and commissioning of substations and tower lines, distribution lines, lighting infrastructure and capacitor banks. The company is also executing turnkey project from Orissa government for setting up of streetlamps.

##### **Adequate order book reflecting satisfactory medium-term revenue visibility**

The company has an outstanding order book of ~Rs.82 crore (1.95 times the FY21 contracts/tender revenue) and has manufacturing contracts of various industrial electrical products from reputed companies. Coupled with this it also has a steady stream of income from the transmission and distribution business in Odisha. This is expected to translate into adequate revenues going forward.

##### **Significant increase in revenue albeit moderate scale of operations**

The total operating income of the company increased significantly to Rs.73.57 in FY21 from Rs.20.57 crore in FY20, EBITDA increased to Rs. 8.57 crore during FY21 from Rs.2.30 crore in FY20 with PBT of Rs.7.28 crore in FY21 vis-à-vis Rs.1.21 crore in FY20, as result of better order book and higher execution of projects during the period. The EBITDA margins stood healthy at around 11% in FY20 and FY21. Due to the moderate scale of operations, the company bid for



## Press Release

lesser tenders in FY21 vis-à-vis FY20, however maximized its presence and opportunity in the state of Odisha to achieve optimum economies of scale in its given situation.

### **Comfortable capital structure with adequate debt protection metrics**

The overall debt metrics remained comfortable with debt equity ratio at 0.19x as on March 31, 2021, overall gearing at 0.64x as on March 31, 2021. Given the healthy profit margins, the interest coverage ratio remained comfortable at 6.60x and TOL/TNW at 1.21x as on March 31, 2021. Infomerics expects that the capital structure will continue to remain comfortable in the near term given the absence of any additional debt raising plans.

### **Key Rating Weaknesses**

#### **Highly fragmented & competitive power and infrastructure sector**

The domestic infrastructure sector is highly fragmented with presence of many players with varied statutes & capabilities. Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. The company's ability to successfully bid for the tenders while increasing the average ticket size of the project bided as also its realisation into revenues will be a key monitorable, going forward.

#### **Working capital intensive nature of business**

Since the company produces a niche market product specific to the power sector, the cost of production and skilled manpower requires a sizeable amount of investment or capital. Along with that, the execution of projects, bidding for new tenders or projects and funding day to day operational requirements also require a sizeable working capital, since the time take from the award of tender to execution of work and payment from the vendors may take little, longer time than expected. Although the working capital cycle of the company was stretched at 126 days as on March 31, 2020 due to pandemic in the last quarter of the fiscal, the same moderated and normalised to 61 days as on March 31, 2021.

#### **Liquidity - Adequate**

The liquidity of the company is expected to remain adequate in the near term driven by adequate cash balances, term deposits with the bank of ~Rs.4.42 crore and gross cash accruals against negligible debt repayment obligations in the near term. The maximum working capitalisation on its bank facilities is ~89% for 12 months ending March 2021.



## Press Release

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non- Financial Sector)

### About the Company

Incorporated by Mr Bipin Mohapatra and Mr Shashank Manerikar in 2008, APIPL is an electricity distribution franchisee in one of the sub-divisions of the Odisha State Electricity Board (Khaira Subdivision, Dist: Baleshwar, Orissa). The company also manufactures Electrical Panels and Current and Voltage Transformers and executes turnkey projects for installation and commissioning of Substations and tower lines, distribution lines, Lighting Infrastructure and capacitor banks. APIPL manufactures products customised to the measurement based on customer's requirement on multiple factors such as, automatic power factor correction relay/ multifunction meters/ current transformers, voltage transformers, residual voltage transformer, and vacuum contactor etc.

### **Financials: Standalone**

(Rs. crore)

For the year ended*/ As on	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	20.58	73.57
EBIDTA	2.30	8.57
PAT	1.21	7.28 <sup>#</sup>
Total Debt	7.68	9.20
Adjusted Net worth	5.55	8.79
EBIDTA Margin (%)	11.17	11.65
PAT Margin (%)	4.01	9.89
Overall Gearing Ratio (x)	1.38	1.05

\*as per Infomerics standards ; <sup>#</sup>Tax for FY21 has not been considered in the PAT

**Status of non-cooperation with previous CRA:**

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	LT	5.00	IVR BBB- / Stable	-	-	-



## Press Release

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2.	Letter of Credit	LT/ST	2.50	IVR BBB- / Stable IVR A3	-	-	-
3.	Proposed	LT	7.50	IVR BBB- / Stable	-	-	-

**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](http://www.infomerics.com).

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### 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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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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## Press Release

### 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 Bank Facilities – Cash Credit	-	-	-	5.00	IVR BBB- / Stable
Long Term/ Short Term Bank Facilities	-	-	-	2.50	IVR BBB- / Stable IVR A3
Proposed Facilities	-	-	-	7.50	IVR BBB- / Stable

### Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lender-akanskha-11-6-21.pdf>