Press Release

Akanksha Power and Infrastructure Private Limited

December 16, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.50 (Increased from Rs.12.50 crore)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed and removed from Issuer Not Cooperating category	Simple
Short Term Based Bank Facilities	10.50 (Increased from Rs.2.50 crore)	IVR A4+ (IVR A Four Plus)	Reaffirmed and removed from Issuer Not Cooperating category	Simple
Total	**25.00 (Rupees Twenty-Five crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics had migrated the ratings assigned to Akanksha Power and Infrastructure Private Limited's (APIPL's) bank facilities to the 'ISSUER NOT COOPERATING' category vide Press Release dated September 2, 2022 because of non-receipt of information for monitoring the ratings. Subsequently, the company has provided the requisite information. Based on this, Infomerics has removed the ratings from the 'ISSUER NOT COOPERATING' category.

The reaffirmation in the ratings assigned to the bank facilities of APIPL derives strength from extensive experience of the promoters in the electric power industry, reputed clientele and comfortable capital structure with adequate debt protection metrics. The ratings are, however, partially offset by the small scale of operations with significant decline in total operating income in FY22 over FY21and moderation in the order book, presence in a highly fragmented and competitive electric power industry and working capital intensive nature of business.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained improvement in operating income above 40% on a sustained basis.

- Improvement in EBITDA margin above 15% and PAT margin above 5% 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

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.

Reputed clientele

The company 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.

Comfortable capital structure with adequate debt protection metrics

The overall gearing ratio marginally improved and stood at 0.80x as on March 31, 2022, as against 0.83x as on March 31, 2021, mainly due to increase in tangible networth from Rs.10.70 crore as on March 31, 2021 to Rs.13.12 crore as on March 31, 2022. TOL/TNW stood at 1.93x as on March 31, 2022 as against 2.31x as on March 31, 2021. The interest coverage and total debt/ GCA ratios deteriorated and stood at 3.57x and 3.94x respectively in FY22 as against 5.27x and 2.16x respectively in FY21 but continued to remain moderate.

Key Rating Weaknesses

Small scale of operations with significant decline in total operating income in FY22 over FY21 and moderation in the order book

Despite long track record of the company, scale of operations are relatively small marked by total operating income (TOI) of Rs.51.84 crore during FY22. In FY22 the company's total operating income has decreased significantly by around 30%, from Rs.74.27 crore in FY21 to Rs.51.84 crore in FY22. The company had executed a LED project during FY21, which had given a spike in the topline in FY21. However, as the company's focus was to work on the existing line for PQS solutions and smart energy meters only and hence, it didn't participate in any EPC/turnkey projects in FY22, and the turnkey/EPC revenue earned in FY22 was related to the projects bagged earlier. Further, the company has achieved total operating income of around Rs.25.06 crore in H1FY23 as against Rs.37.40 crore in H1FY22.

APIPL's EBITDA margin has remained stable at 9.24% in FY21 and 9.30% in FY22 driven by better management of its operating expenses. However, the PAT margin has declined from 5.29% in FY21 to 4.66% in FY22, mainly on account of increase in depreciation cost. The GCA has decreased from Rs.4.13 crore in FY21 to Rs.2.68 crore in FY22.

The company has changed its focus from EPC/turnkey projects to manufacturing smart energy meters. It has a moderate order book position of Rs.4.19 crore as on October 31, 2022, due to change in business model as against orders in hand of Rs.82.00 crore as on May 27, 2021.

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. Past experience in executing projects of similar nature also give an edge to the players. Accordingly, APIPL is expected to benefit over new entrants.

Working capital intensive nature of business

The operating cycle has significantly increased from 79 days in FY21 to 140 days in FY22, driven by high receivables which increased from 79 days in FY21 to 171 days in FY22, mainly on account of retention money. The retention money held by the projects would be paid on completion of the warrantee period and hence, the receivables days are high. The high working capital requirements were met largely through bank borrowings, which has resulted average utilization of working capital facilities at ~90% of its sanctioned working capital limits for the 12 months period ended September 2022, highlighting the high working capital intensiveness of APIPL's operations.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The company's liquidity is likely to remain adequate given the expected cash accruals being sufficient as against the repayments in FY23-25. The free cash balance as on March 31, 2022 stood at Rs.0.68 crore while average working capital utilisation for the 12 months ended September 2022 remained at ~90%. The company plans to undertake capex of by increasing its manufacturing of smart meter capacity to 1500000 nos. from present 500000 nos. and hence, the company has projected an increase in fixed assets of Rs.2.00 crore in FY23, Rs.5.00 crore in FY24 and Rs.5.00 crore in FY25. The entire expansion will be through internal accruals and promoters funding only, and no debt is expected to be raised for the same.

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 & Vaccume Contactors, energy management system and smart energy meters, engineering and execution of electrical turnkey projects. The company's manufacturing plant is at Nashik, Maharashtra.

APIPL also has the technology partnership "Power Quality Solutions (PQS) Technology Partner" with TDK Electronics (previously EPCOS), to manufacture, LV and MV electrical APFC, Hybrid APFC (Active filter + APFC), MCC, PCC, VFD Panels, Indoor or Outdoor current transformer (CT), Voltage transformer (PT), and Residual Voltage Transformer (RVT) up to 33kV. The metering division was started during the year 2021 and the technology is called as automated energy metering systems (AMI infrastructure). Using the latest hybrid technology (PLC + RF) with modern production equipment the company produces smart energy meters to ensure 100% data redundancy. APIPL is partnering with Matrica from Russia, to offer the complete range of "Signature" hybrid Smart Energy meters using programmable logic controller (PLC) + radio frequency (RF) and Global System for Mobile communication (GSM) as optional, to ensure data redundancy. Meters with Indoor / Outdoor version. Life of the meter is 20 years with 144000 MTBF data, fully complying to IS 16444.

At present the company is managed by Mr. Bipin B Das Mohapatra, Mrs. Chaitali B Das Mohapatra and Ms. Juuhi Rajput. Udream Technolab Pvt. Ltd. (UTPL) and Noctilucent Project Pvt. Ltd. (NPPL) are the group/related entities of the company and are engaged in undertaking Turnkey Projects/EPC electrical works.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	**31-03-2021 (Audited)**	**31-03-2022 (Audited)**
Total Operating Income	74.27	51.84
EBITDA	6.86	4.82
PAT	3.94	2.42
Total Debt	8.91	10.55
Tangible Networth	10.70	13.12
Ratios		
EBITDA Margin (%)	9.24	9.30
PAT Margin (%)	5.29	4.66
Overall Gearing Ratio (Adusted) (x)	0.83	0.80

*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 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (September 2, 2022)	Date(s) & Rating(s) assigned in 2021-22 (June 11, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	6.00	IVR BB+/ Stable	IVR BB+; Issuer Not Cooperating*	IVR BBB-/ Stable	-	-
2.	Proposed Cash Credit	Long term	8.50	IVR BB+/ Stable	IVR BB+; Issuer Not Cooperating*	IVR BBB-/ Stable	-	-
3.	Letter of Credit	Short Term	7.50	IVR A4+	IVR A4+; Issuer Not Cooperating*	IVR A3	-	-
4.	Bank Guarantee	Short Term	3.00	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+/ Stable
Proposed Cash Credit	-	-	-	8.50	IVR BB+/ Stable
Letter of Credit	-	-	-	7.50	IVR A4+
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-dec22.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.