



## Press Release

**Core Energy Systems Private Limited**

**March 17, 2023**

### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	14.00	IVR BB+/Positive Outlook [IVR Double B Plus with Positive Outlook]	Assigned	Simple
Short Term Bank Facilities	16.00	IVR A4+ [IVR A Four Plus]	Assigned	Simple
<b>Total</b>	<b>30.00</b> <b>(Rupees Thirty Crore Only)</b>			

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The ratings assigned to the bank loan facilities of Core Energy Systems Private Limited (CESPL) derives strength from long track record of the company coupled with qualified and experienced management, established relationship with reputed players in the market and healthy order book position indicating satisfactory near to medium term revenue visibility. The ratings however constrained by relatively modest scale of operations and profitability margins with improving business risk profile, moderate financial risk profile, working capital intensive nature of operations.

The outlook has been assigned positive is based on expected improvement in its operational performance leading to improvement in the financial risk profile in the near term.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals
- Improvement in the capital structure along with improvement in debt service parameters
- Prudent management of cash conversion cycle and working capital requirements



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### **Downward Factors**

- Larger-than-expected debt-funded capex, leading to deterioration in the financial profile, especially liquidity, gearing and debt coverage metrics
- Stretch in the working capital cycle negatively impacting liquidity position

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

#### **Key Rating Strengths**

- **Long track record of the company coupled with qualified and experienced management**

Core Energy Systems Private Limited (CESPL) was established in the year 1997 as a partnership firm by Mr. Nagesh N. Basarkar and later as on June 04, 2004 the constitution was changed to private limited. The key promoter Mr. Nagesh Narayan Basarkar have extensive experience of more than two decades in the capital good industry. Apart from promoters, company is managed by team of professionals to execute and monitor the work undertaken for satisfactory completion. Further all the key managerial associated with the company for more than decades and have relevant qualification and experience in their respective field.

- **Established relationship with reputed players in the market**

Mr. Nagesh is a petrochemical engineer, and the knowledge base of the promoters has enabled the group to establish relationship with reputed market players such as, Reliance Infrastructure Limited (RIL), Oil and Natural Gas Corporation Limited (ONGC), Tata Projects Limited, Nuclear Power Corporation of India Limited. Further, the experience of the promoters in the said line of business has help them maintain a long-term association of greater than a decade, with its customers and suppliers. The overall top ten customers accounted for nearly ~43% of the total consolidated revenue of the Group. Thus, established relationship with customers has ensured continuous order flow and that with suppliers has enabled ease procurement of raw materials.



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- **Healthy order book position indicating satisfactory near to medium term revenue visibility**

The group has outstanding order book position of Rs.523.68 crore as on November 30, 2022 which are expected to be executable over a period of 2 to 3 years, however majority of the projects are expected to be completed in FY24. These orders are almost 8 times its expected revenue in current year providing adequate revenue visibility in the near term.

### Key Rating Weaknesses

- **Relatively modest scale of operations and profitability margins with improving business risk profile**

The scale of operation of Core Group as on consolidated basis remained fluctuating primarily on account of dependency on contract driven nature of business, however total operating income had improved significantly from Rs.23.56 crore in FY21 to Rs.64.60 crore in FY22 mainly on account of diversification of business from nuclear sector to electrical transmission sector to minimise the risk for receiving revenue under one basket. The operating profit margin of core Group reflects healthy operating profit margins due to the tender driven nature of business, furthermore the margins are volatile due to fluctuation in the price of the key inputs, and profitability was remained in the range of 6.18% to 14.26% during FY19 to FY22, however same has significantly declined and stood at 6.18% in FY22 (vis-à-vis 14.26% in FY21) on account the company has undertaken contract of installation of oxygen plant at almost no profit basis coupled with few low margins contracts undertaken to safeguard its day to day operational cost, however these were exceptional and one time scenario. Further in absolute terms the operating profit has increased from Rs.3.36 crore in FY21 to Rs.3.99 crore in FY22. Till 9MFY23 (period refers from April 01, 2022 to December 31, 2022) the company has achieved total revenue of around Rs.43.19 crore with operating profit margin of 13.73% and net profit margin of 6.86%. The profitability margins are also expected to observe a growth mainly due to increase in scale of operations as a result of increase in orders leading to economies of scale.

- **Moderate financial risk profile**

The capital structure as indicated by adjusted overall gearing ratio and TOL/ATNW has deteriorated and stood at 2.37 times and 3.47 times respectively as on March 31, 2022



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(vis-à-vis 1.44 times and 2.13 times respectively as on March 31, 2021) on account of issuance of preference share amounting to Rs.30 crore during FY22 coupled with increased in creditors and other liabilities as on balance sheet date ended as on March 31, 2022. The debt coverage indicators marked by interest coverage ratio has improved and stood at 4.35 times in FY22 (vis-à-vis 1.23 times in FY21) on account of savings in interest cost and total debt to gross cash accruals ratio has also improved stood at 17.51 times in FY22 (vis-à-vis 23.22 times in FY21) increase in cash accruals.

- **Working capital intensive nature of operations**

The operating cycle remained elongated and stood at 154 days in FY22 mainly on account of high gross current asset days of around 174 days, whereas creditors days stood low at around 20 days. This indicates working capital-intensive operations of the companies, as a result of the same its working capital limits on combined basis utilized around ~50% during the past 12 months ended as on December 31, 2022. Infomerics believes that being engaged in capital goods industry, the group's operations will continue to remain working capital intensive. Going ahead, the ability of the group to efficiently manage its working capital requirements will remain the key rating sensitivity.

**Analytical Approach:** Consolidated

Infomerics Ratings has consolidated the business and financial risk profiles of Core Energy Systems Private Limited and its two wholly owned subsidiaries namely Western Core Limited (UK Based) and Core Energoatom Machinery LLC (Russia Based) and one associate company namely Pompetravaini Core India Private Limited together referred to as the '**Core Group**'.

The consolidation is in view of the similar line of business and common ownership.

**Extent of Consolidation: Full**

**Applicable Criteria:**

[Criteria for assigning rating outlook](#)

[Rating Methodology for Service Sector Entities](#)

[Consolidation of Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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### Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate, as the company expected to generate sufficient cash accruals in the range of ~Rs.8 crore to Rs.20.00 crore for its projected figures to meet its repayment obligation which are low. The liquidity is supported by current ratio of 2.97x and quick ratio of 2.82x respectively as on March 31, 2022.

The company maintains sufficient cash and bank balance of Rs.2.29 crore as on March 31, 2022 to meet its liquidity requirements. Further the Group had fixed deposits amounting to Rs.10.21 crore. The average Bank Limit Utilisation for the working capital facilities of the group remained around 40% during the last twelve months ended as on December 31, 2022, which provides enough cushion for working capital requirements. The projected DSCR of 2.63x in FY23 indicate comfortable liquidity position of the company in meeting its debt obligations. Thus, the overall liquidity position of the company remained Adequate.

### About the Company

Core Energy Systems Private Limited (CESPL) was established in the year 1997 as a partnership firm by Mr. Nagesh N. Basarkar, a petrochemical engineer by qualification, and later as on June 04, 2004 the constitution was changed to private limited. CESPL is engaged in providing a range of high-end engineering solutions technology products, value added services as well as turnkey engineering solution work of HV & EHV substation and transmission and distribution line and catering to niche sectors like, nuclear, oil & gas, and defence markets. The company's registered office located at Bandra Kurla Complex and corporate office is in Mahape, Navi Mumbari, further it is an ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certified EPC company and Manufacturer of Engineered Package Systems headquartered in India.

### Financials (Consolidated)\*:

(Rs. Crore)		
For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	23.56	64.60
EBITDA	3.36	3.99
PAT	0.47	1.99
Total Debt	18.25	38.92
Tangible Net worth	12.68	16.41
EBITDA Margin (%)	14.26	6.18





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For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
PAT Margin (%)	1.91	3.05
Overall Gearing Ratio (times)	1.44	2.37

*\*Classification as per Infomerics standards*

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

- CRISIL Ratings Limited in its press release dated May 24, 2022 has continued to place the rating of Core Energy Systems Private Limited under Issuer Not Cooperating category due to nonavailability of information.
- Acuité Ratings & Research Limited in its press release dated July 19, 2022 has continued to place the rating of Core Energy Systems Private Limited under Issuer Not Cooperating category due to nonavailability of information.

**Any other information: None**

### Rating History for last three years:

		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
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1.	Fund Based – Cash Credit	Long Term	14.00	IVR BB+ / Positive	–	–	–
2.	Non-Fund Based – Bank Guarantee	Short Term	16.00	IVR A4+	–	–	–

### Name and Contact Details of the Rating Analyst:

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

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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 – Cash Credit	–	–	–	14.00	IVR BB+ / Positive
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	16.00	IVR A4+

### Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Ownership	Consolidated Approach
Western Core Limited	100.00%	Full Consolidation
Core Energoatom Machinery LLC	100.00%	Full Consolidation
Pompetravaini Core India Private Limited	49.00%	Full Consolidation

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-CESPL-mar23.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](http://www.infomerics.com).