



Press Release

Core Energy Systems Limited (CESL)

January 14th, 2025

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	54.25 (Enhanced from Rs.34.25 crore)	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	IVR BB+/ Stable [IVR Double B Plus with Stable Outlook]	Rating Upgraded	Simple
Short term Bank Facilities	61.75 (Enhanced from Rs.56.75 crore)	IVR A3+ [IVR A Three Plus]	IVR A4+ [IVR A Four Plus]	Rating Upgraded	Simple
Total	Rs. 116.00 Crore (Rupees One Hundred and sixteen Crore Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has upgraded the rating assigned to the bank facilities of CESL, considering the significant equity infusion during FY25 which is expected to improve the capital structure and debt protection metrics over the medium term. The rating continuous to derive comfort from the healthy order book position, stable revenue growth and improved profitability and long track record of the company coupled with qualified and experienced management. However, the rating strengths are partially offset by, elongated working capital cycle and tender-based nature of operations.

The Stable Outlook reflects expected growth in revenue and profitability while capital structure and debt protection metrics are expected to commensurate with the current rating levels over FY25-FY27.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability and improvement in working capital cycle.



Press Release

Downward Factors

- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Significant Infusion of equity

Promoters have diluted their stake and raised Rs.200 crore through private placement during September 2024, CESL will use these funds for working capital requirements. Infomerics expects this fund raise is expected reduce working capital requirements and reduce dependence on external borrowings in terms of bank guarantees for bidding for new projects and overdraft/cash credit facilities for working capital requirements. This fund infusion is expected to improve CESL's competitiveness in the market as it enables it to bid for high value projects. CESL has used these proceeds to repay its long-term debt as well as prepaid OCPS held by Maharashtra Defence and Aerospace Venture Fund.

Moderate capital structure; expected to improve

The capital structure of the group marked by overall gearing ratio & TOL/TNW remain moderate at 2.18x and 4.99x respectively as on March 31st, 2024 (vis-à-vis 1.95x and 4.68x respectively as on March 31st, 2023) due to higher utilization of working capital limits during the year. However, with infusion of equity during FY25 the group's capital structure in terms of overall gearing significantly improved to 0.04x at the end of 8MFY25 with overall reduction in long term debt and lower use of working capital limits. Infomerics expects capital structure to remain strong with equity infusion in the near term.

Moderate debt protection metrics expected to improve

The group's debt protection metrics has improved with interest coverage at 3.23x at the end of FY24 (refers period from April 01st, 2023 to March 31st, 2024) (FY23: 1.02x). Total debt / NCA stood high at 10.73 years in FY24 (FY23:24.84x) due to higher utilization working capital limits. However, from FY25 onwards with infusion of funds debt protection metrics are also expected to improve and remain strong due to improvement in gross profitability. Total debt of



Press Release

group stood at Rs.67.21 crore out of which working capital accounted for Rs.32.89 crore and remaining is long term debt of Rs.34.32 crore out of which Rs.29.99 crore is optionally convertible preference shares. However these have been redeemed fully in September 2024. The debt protection metrics are also likely to improve with its increasing profits and limited fresh borrowings expected for business growth, going forward.

Healthy order book position

The group's has unexecuted order book of Rs. 366.68 crore (~3.24x of FY24 revenue), indicating strong revenue visibility in the medium term. The order book is diversified with 39% from Tarapur atomic power station, 31% from Nuclear Power Corporation of India Limited and remaining 29.6% of order value from various reputed customers such as Mazagon Dock Shipbuilders Limited, Adani Electricity Mumbai Limited, Oil and Natural Gas Corporation Limited, Bhabha Atomic Research Centre and Reliance Industries Limited etc and all these orders are expected to execute over 24-36 months.

Stable revenue growth and improved profitability

The group's revenue has increased by 5% on year-on-year basis to Rs.113.33 crore in FY24 driven by timely execution of orders based on key milestone. Infomerics expects, going forward revenue growth to remain strong with strong order book and execution ability of the entity. As of 9MFY25 group has achieved a revenue of Rs.91 crore which is 52% of FY25 projected revenue. The group's EBITDA margin has improved significantly to 13.60% in FY24 (FY23: 2.16%) as the group has executed higher margins contract and they already spent expenses on manpower which are needed to execute these projects earlier. In addition to this group has achieved its EBITDA margin of 11.09% in 8MFY25. Net profit margin also improved to 5.06% in FY24 from 1.28% in FY24 due to higher EBITDA despite increase interest expenses.

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

The group has more than two decades of track record in the business. All the promoters are having extensive experience of more than two decades in the nuclear, oil and gas and infrastructure industry.



Press Release

B. Key Rating Weaknesses

Elongated working capital cycle

In FY24, the operating cycle remains elongated at 178 days (FY23: 107) due to high collection days of 181 (FY23: 106), as the CESL mainly deals with government entities which generally takes additional time to clear the payment, and its every year phenomenon and outstanding debtors includes retention money which will be released after completion of the project. Creditor days stood at 48 in FY24 (FY23:31).

Tender-based nature of operations

The contract is tender-based, and the revenues are dependent on the group's ability to bid successfully for these tenders. The profitability margins of the company may come under pressure because of the competitive nature of the industry. Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry. However, the promoters long industry experience in management and proved execution track record mitigates this risk to some extent.

Analytical Approach: Consolidated Approach

For arriving at the rating, Infomerics has taken a consolidated approach for analysing the business and financial performance of the company. It has combined the business and consolidated financial risk profiles of Core Energy Systems Limited (CESL) and its fully owned two subsidiary company i.e., Western Core Limited (WCL), Core Energoatom Machinery LLC and one associate company i.e., Pompetravaini Core India Private Limited (PCIPL) on account of common management and operational and financial linkages. Infomerics has taken a consolidated view of these entities referred together as Core Group.

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Infrastructure companies](#)

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

[Criteria on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



Press Release

Consolidation of Companies

Liquidity: Adequate

The liquidity profile of the group is adequate with expected to generate gross cash accruals in the range of Rs. ~15 crore to Rs. ~23 crores as against the repayment obligation of Rs.1 crore to Rs.1.5 crore over FY25 and FY27. The current ratio stood at 1.43x as on March 31st, 2024 (FY23: 1.64x). The average fund-based bank limit utilization in the last 12 months ended September 30th, 2024, stood at 58%.

About the company

Established in 1997 CESL 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 has two wholly owned subsidiaries namely Western Core Limited (based in UK) and Core Energoatom Machinery LLC (based in Russia) and has one associate company namely Pompetravaini Core India Private Limited (based in Maharashtra, India).

Financials (Consolidated):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	108.24	113.33
EBITDA	2.34	15.42
PAT	1.42	5.86
Total Debt	49.79	67.21
Tangible Net Worth	25.52	30.90
EBITDA Margin (%)	2.16	13.60
PAT Margin (%)	1.28	5.06
Overall Gearing Ratio (x)	1.95	2.18
Interest Coverage (x)	1.02	3.23

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL Ratings in its press release dated September 11th, 2024, continued under "ISSUER NOT COOPERATING" category on account of nonavailability of information.

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long term Bank Facilities	Long term	54.25	IVR BBB/Stable	(February 20 th , 2024) IVR BB+/Stable	(March 17, 2023) IVR BB+/Positive	--
2.	Short term Bank Facilities	Short term	61.75	IVR A3+	IVR A4+	IVR A4+	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



Press Release

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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 Bank Facilities – Cash Credit	--	--	Revolving	5.25	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	3.75	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	20.00	IVR BBB/ Stable
Long Term Bank Facilities – Overdraft	--	--	Revolving	4.00	IVR BBB/ Stable
Long Term Bank Facilities – Overdraft	--	--	Revolving	16.25	IVR BBB/ Stable
Long Term Bank Facilities – Open Cash Credit	--	--	Revolving	5.00	IVR BBB/ Stable
Short Term Bank Facilities – Bank Guarantee	--	--	--	7.25	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	4.50	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	25.00	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	25.00	IVR A3+



Press Release

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-CoreEnergy-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis:

Name of the company	Consolidation/Combined Approach
Western Core Limited (WCL)	Consolidation – 100%
Core Energoatom Machinery LLC	Consolidation – 100%
Pompetravaini Core India Private Limited (PCIPL)	Consolidation – 100%

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.