



Press Release

Corrtech Energy Limited (CEL)

December 04, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	33.20	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Long Term/ Short Term Facilities - Proposed	33.00	IVR BBB-/ Stable; IVR A3 (IVR Triple B Minus with Stable outlook; IVR A Three)	-	Assigned	Simple
Total	66.20 (Rupees Sixty-six crore Twenty-lakh 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 Ratings has assigned the ratings to the bank facilities of Corrtech Energy Limited (CEL). The rating assignment factors in improvement in overall financial performance of the company in FY24 (refers to the period from April 01, 2023, to March 31, 2024). The rating further factors in strong experience of promoters with long track record of operations, moderate order book position reflecting near term revenue visibility along with moderate financial risk profile and satisfactory debt protection metrics. However, the rating remains constrained by susceptibility of operating performance due to tender-based nature of operations and high working capital intensity due to stretched inventory holding.

Stable outlook reflects Infomerics' anticipation that CEL will continue to benefit from the experience of its promoters, growing scale of operations with improving operating margins and sustained financial risk profile.

Key Rating Sensitivities:



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Upward Factors

- Consistent growth in revenue with significant improvement in operating margins along with stable financial risk profile.
- Improvement in working capital cycle led by timely execution of orders.

Downward Factors

- Significant decline in revenue and operating margins leading to low cash accruals.
- Stretch in working capital cycle and weakening of financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Growth in scale of operations with improvement in profitability matrix

CEL reported growth in total operating income (TOI) to Rs. 161.93 crore in FY24 from Rs. 146.28 crore in FY23, registering a growth of 10.70% on a y-o-y basis. The profitability marked by EBITDA margin improved significantly to 14.39% (Rs. 23.30 crore in FY24) as against 8.73% (Rs. 12.77 crore in FY23) on account of decline in total input cost majorly led by job work charges.

Long track record of operations along with established customer base both in domestic and international market.

The promoters of CEL have developed a strong understanding of market dynamics with over two decades of experience in the EPC and gas turbine industry and. Further the management have maintained healthy relationships with its suppliers and customers backed healthy order books. CEL revenue constitutes both from the domestic as well as export market contributing around 70% & 30% respectively. The company caters to a diversified end-user industry base, ranging from power, construction, oil & gas, aerospace & defence, mitigating the risk of slowdown in any specific industry.

Moderate Order Book position and Reputed Clientele

Till September 30, 2024, CEL is having outstanding order book position of Rs. 243.97 crore from both segments. CEL has successfully executed orders of Rs. ~290 crore under EPC segment during FY19 to FY24. CEL has successfully executed EPC Projects for laying of Gas & Oil Pipeline for its esteemed clientele which include Govt and Private entities such as Indian Oil Corporation Limited,



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Reliance Industries Limited, ONGC Petro Additions Limited, GAIL Limited, Gujarat Gas Limited, Hindustan Petroleum Corporation Limited and others.

Moderate Financial Risk Profile

The financial risk profile of CEL remained moderate marked by moderate capital structure. The adjusted overall gearing and TOL/TNW of the company have marginally moderated to 0.69x and 1.28x as on March 31, 2024, against 0.27x and 1.06x as on March 31, 2023, respectively. The moderation is on account of high utilization level of working capital facility as on balance sheet date. However, capital structure continues to remain comfortable.

The debt protection metrics of CEL registered moderation in FY24 but remained comfortable marked by DSCR of 2.76x and interest coverage ratio of 5.25x as against 3.31x and 6.62x, respectively, in FY23. The moderation is on account of rise in finance cost owing to increased working capital limit utilization.

Key Rating Weaknesses

Susceptibility of operating performance due to tender-based operations.

Due to the tender based nature of business, operating performance of the company remains susceptible to company's ability to receive fresh tenders on a continuous basis as well as timely completion of the orders. Tender based business is characterised with intense competition due to presence of large number of organized and unorganized players, which also lead to sacrifice on profit margins to some extent.

High working-capital intensity primarily on stretched inventory holding

Almost all of CEL's contracts are service agreements executed within client premises or designated areas. These construction projects rely on several client-provided inputs, including drawings, field and work front access, and free-issue raw materials. Additionally, there is significant dependency on other contractors whose work impacts the sequential release of work fronts. Given these dependencies, project timelines are often extended and revised and owing to which operating cycle of CEL stands stretched at 109 days in FY24, driven by average inventory period of 146 days (against 102 days in FY23). The company also maintains sizable amount as retention money and security deposit. Any further stretch in working capital cycle is a key rating sensitivity factor.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

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

Liquidity – Adequate

The liquidity of CEL is adequate with cash & cash equivalents of Rs. 3.28 crore as on March 31, 2024. CEL's GCA stood at Rs. 15.87 crore in FY24 corresponding to scheduled repayment of Rs. 2.91 crore. Also, the current ratio stood comfortable at 1.64x. The average working capital utilisation stood at ~71% for the past 12 months ended September 30, 2024.

About the Company

Established in 2000, Ahmedabad (Gujarat) based, Corrtch Energy Limited (CEL) operates primarily in two business verticals namely (i) manufacturing of gas turbine components and defence aircrafts engine components and (ii) development of projects in the oil & gas segment. contributing around ~66% & 32% respectively in FY'24. CEL supply its components in global non-OEM space to varied countries such as US, China, Europe, Middle east and Singapore.

CEL is 100% owned by Corrtch Internation Limited (CIL). CIL is promoted by members of the Mittal Family, with Mr. Sandeep Mittal managing the day to day operations of the company as Chairman of the company.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	146.28	161.93
EBITDA	12.78	23.30
PAT	8.05	13.31
Total Debt	17.49	52.52
Tangible Net Worth (Adjusted)	64.80	76.04
EBITDA Margin (%)	8.73	14.39
PAT Margin (%)	5.45	8.14
Overall Gearing Ratio (Adjusted)(x)	0.27	0.69
Interest Coverage (x)	6.62	5.25

* 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 Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	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
					-	-	-
					Rating	Rating	Rating
1.	Term Loan	Long Term	3.20	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	-	-
2.	Working Capital Demand Loan	Long Term	30.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-	-	-
3.	Proposed	Long Term/ Short Term	33.00	IVR BBB-/ Stable; IVR A3 (IVR Triple B Minus with Stable outlook; IVR A Three)	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Informatics) 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.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	60 months	3.20	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)
Working Capital Demand Loan				Revolving	30.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)
Proposed				-	33.00	IVR BBB-/ Stable; IVR A3 (IVR Triple B Minus with Stable outlook; IVR A Three)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-corrtech-dec24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.