



Press Release

Encorp Powertrans Private Limited (EPPL)

May 18, 2023

Ratings

Sr. No	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Bank Facilities – Term Loan	6.35 (Reduced from Rs 9.81 crore)	IVR BB+/ Positive (IVR Double B plus with Positive Outlook)	Revised
2	Long Term Bank Facilities – Cash Credit	30.00	IVR BB+/ Positive (IVR Double B plus with Positive Outlook)	Revised
3	Short Term Bank Facilities – Letter of credit	25.00	IVR A4+ (IVR Single A four plus)	Revised
4	Short Term Bank Facilities – Bank Guarantee	35.00	IVR A4+ (IVR Single A four plus)	Revised
5	Proposed Long term	10.00	IVR BB+/ Positive (IVR Double B plus with Positive Outlook)	Assigned
6	Proposed Short term	23.46	IVR A4+ (IVR Single A four plus)	Assigned
	Total	129.81		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Encorp Powertrans Private Limited (EPPL) derives strength from extensive experience of promoters, healthy order book position providing revenue visibility for medium term, location specific benefits, moderate financial risk profile and favourable demand prospects for heavy steel structures. However, the rating strengths are partially offset by moderate working capital cycle and highly competitive industry.



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The outlook has been revised to positive on account of strong unexecuted order book providing revenue visibility over the next 2-3 years coupled with improved debt protection metrics in FY23.

Key Rating Sensitivities:

Upward Factors

Substantial improvement in scale of operations due to healthy order book executions while improving profitability and/or debt protection metrics.

Downward Factors

Significant stretch in working capital cycle leading to higher working capital borrowings and weakening of the overall financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters:

The company has been set up under the able leadership of Mr. Vinay Nowal (Mentor/Director) and Mr. Rahul Nowal (Director). Collectively, they have rich experience in the particular industry and are instrumental in setting up and developing the venture. Having operated in industry since many years now, the promoters have established a strong network with suppliers and customers. The Company shall continue to benefit from its experienced promoters, its technical expertise, diversified clientele and overall operational track record.

Healthy order book position providing revenue visibility for medium term:

Due to the established position in the market, EPPL has been able to get recurring orders from its customers. The Company's unexecuted order of INR 424.29 Crore is to be executed within the next 1-2 years, which provides revenue visibility over near to medium term. With promoters' extensive experience, established network and effective completion capabilities, the Company has been able to built healthy relationships with reputed customers which also include various government entities. Further, the order book is diversified across Infrastructure based EPC contracts, solar panel manufacturing and Railway turnkey projects.



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Moderate Financial Risk Profile:

The company has a moderate financial risk profile as reflected by a moderate adjusted tangible net worth of Rs 29.38cr leading to a moderate gearing of 2.63X in FY23(P). The debt coverage metrics as reflected by ISCR & DSCR stand at 2.53X & 1.22X in FY23(P).

Location specific benefits:

Setup over a substantial land mass of 15 acres, the manufacturing unit of the company is located in Tarapur, in the Palghar district of Maharashtra. It procures its key raw materials from local units, which provides logistics convenience, while ensuring prompt receipt of raw materials. It also has ease of access to rolling mills of Raipur, Nagpur and Gujarat. Proximity to the raw materials sources enables the company to keep a low inventory.

Favourable demand prospects for heavy steel structures:

Demand prospects for steel structures in India are favourable, with increasing focus on their use across segments such as building construction, roads, bridges, ports, airports, etc. Further the government's increasing interest in infrastructure development augur well for the fabrication industry.

Key Rating Weaknesses

Moderate working capital cycle:

The working capital-intensive nature of operations is marked by elongated inventory levels to 114 days in FY23(P), largely on account of inventory being piled up. The receivable period further stood elongated at 120 days in FY23(P) which stands deteriorated as per FY22. The Company's operations are expected to remain working capital intensive, as the Company is into EPC contracts and other manufacturing activities, which leads to high work in progress inventory.

Highly competitive industry marked by tender based nature of operations:

Given marginal capital investment requirements and low technical complexity, the steel fabrication industry is highly fragmented with numerous unorganised players. Further, there are organised domestic players as well as international suppliers, who work in joint venture



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with domestic companies or as subcontractors for large companies, posing intense competition. The revenue and further its profitability margins shall depend on number of successful bids and new tenders being released for private players like EPPL.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria on Rating Outlook](#)

Liquidity – Adequate

The liquidity profile remains adequate for the company. The company has outstanding cash and bank balances stood moderate at INR 11.92 Crore as on March 31st, 2023 (P) as against a debt repayment obligation of Rs. 2.88 cr. The liquidity is expected to remain adequate in the near term on account of steady cash flow backed by comfortable to be executed order book position. The average CC utilization for 12 months ended March 2023 stands at 91%. The current ratio stands at 1.33x as on March 31, 2023(P).

About the Company

Encorp Powertrans Private Limited (EPPL) is an engineering group, which was set up on 15 acres at Tarapur, EPPL offers fabrication and galvanizing facilities cater to the transmission towers, solar module mounting structures, railway electrification structures, building structures, bridges and Infrastructure industry. It offers a wide array of engineering services ranging from Plate Fabrication, Machining & Assembly, Structural Steel fabrication (Punching, Shearing, Notching, Bending, etc.), Sheet Metal fabrication and Hot Dip Galvanizing through its Transmission Line Towers (TLT) & General Electrical Verticals. Also, company has EPC vertical which undertakes turnkey projects in field of transmission lines for power evacuation and railway overhead track electrification.



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Financials Standalone:

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	123.71	162.60	162.33
EBITDA	9.72	8.61	10.44
PAT	0.68	1.79	2.89
Total Debt	68.58	75.56	77.14
Adjusted Tangible Network	24.50	25.65	29.38
Ratios			
EBITDA Margin (%)	7.86	5.30	6.43
PAT Margin (%)	0.54	1.09	1.77
Overall Gearing ratio (times)	2.80	2.95	2.63

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings in its press release dated March 21st, 2023 reaffirmed the rating of Encorp Powertrans Private Limited to 'Issuer Not Cooperating' category

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (May 25, 2022)	Date(s) & Rating(s) assigned in 2020-21 (March 01, 2021)	Date(s) & Rating(s) assigned in 2019-20 (January 06, 2020)
1	Long Term Bank Facilities – Term Loan	Long Term	6.35	IVR BB+/Positive	IVR BB+/INC	IVR BB+/Stable	IVR BB+/Stable
2	Long Term Bank Facilities – Cash Credit	Long Term	30.00	IVR BB+/Positive	IVR BB+/INC	IVR BB+/Stable	IVR BB+/Stable
3	Short Term Bank Facilities – Letter of credit	Short Term	25.00	IVR A4+	IVR A4+/INC	IVR A4+	IVR A4+



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4	Short Term Bank Facilities – Bank Guarantee	Short Term	35.00	IVR A4+	IVR A4+/INC	IVR A4+	IVR A4+
5	Proposed Long term	Long Term	10.00	IVR BB+/Positive	-	-	-
6	Proposed Short term	Short Term	23.46	IVR A4+	-	-	-

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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
Long Term Bank Facilities – Term Loan	-	-	2027	6.35	IVR BB+/ Positive
Long Term Bank Facilities – Cash Credit	-	-	-	30.00	IVR BB+/ Positive
Short Term Bank Facilities – Letter of credit	-	-	-	25.00	IVR A4+
Short Term Bank Facilities – Bank Guarantee	-	-	-	35.00	IVR A4+
Proposed Long term	-	-	-	10.00	IVR BB+/ Positive
Proposed Short term	-	-	-	23.46	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-EPPL-may23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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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.

