Press Release

Eppeltone Engineers Private Limited (EEPL)

January 28, 2022

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facility – Term Loans	0.67	IVR BB/Stable (IVR Double B with Stable outlook)	Assigned	Simple
Long Term Fund Based Bank Facility – Cash Credit	3.50	IVR BB/Stable (IVR Double B with Stable outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facility – Bank Guarantee	10.50	IVR A4 + (IVR A Four Plus)	Assigned	Simple
Total	**14.67**			

Details of Facilities are in Annexure 1

Detailed Rationale:

The rating assigned to the bank facilities of Eppeltone Engineers Private Limited derives strength from Experienced management and long track record of operations, healthy profitability & financial risk profile. The Rating also takes into account the Company's strength of having Reputed clientele, well diversified geographical operations and the expected improvement in the scale of operations in FY22 & beyond. However, these strengths are partially offset by working capital intensive nature of operations and Exposure to tender-based nature of operation.

Key Rating Sensitivities:

Upward Factors:

- Substantial & sustained improvement in the Company's revenue and profitability while maintaining the debt protection parameters.

Downward Factors:

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced management and long track record of operations

EEPL is promoted by Mr. Rohit Chowdhary & Mr. Deven Chowdhary.

Mr. Rohit Chowdhary (Master's in engineering) has joined in the year 2004 and was highly instrumental in the paradigm shift of Eppeltone Engineers from electrical industrial to electronics industry, Mr. Deven Chowdhary joined the company in the year 2009 to help evolve this amalgamation of electronics and power and focus on sustainable growth and development of the company. Having operated in industry since years now, the management has established a strong network with suppliers and customers.

Well Diversified Geographical Operations & Reputed Clientele

Currently EEPL has clients in PAN India. This helps EEPL to de risk its operations to any geographical risks pertaining to specific regions. Due to its long-established presence EEPL has reputed clientele like Paschim Gujarat Vij Company Ltd, Uttar Gujarat Vij Company Ltd, Dakshinanchal Vidyut Vitran Nigam Ltd etc.

Expected improvement in revenue

Revenue of the company is increasing YOY to INR 43.05 crores in FY21 from INR 30.44 crores in FY20. Revenue is expected to improve in FY22 as the company has also entered into in new product segment of Smart Energy Meters. Company is expecting strong orders from this segment. The company has booked the revenue of INR 35.28 crores in 9MFY22.

Healthy Financial Risk Profile

Financial risk profile of the company is healthy marked by comfortable overall gearing and other debt coverage indicators. The overall gearing ratio of the Company improved at 0.47x as on March 31, 2021 (Provisional) as against 0.51x as on March 31, 2020. The TOL to Adjusted TNW stood healthy at 1.68x for FY21 (Provisional). The Interest coverage ratio stood healthy at 3.47x in FY21 (Provisional) as against 2.17x in FY20.

Key Rating Weaknesses:

Working capital intensive nature of operations

The average collection period for EEPL was approximately 165 days and average inventory of 64 days in FY21. This implies working capital intensive operations where much of the company cash is locked up in inventory and with the customers. On average, the company takes around 149 days to pay its suppliers and thus the operating cycle for the company was 80 days in FY21.

Exposure to tender-based nature of operation

Majority of the business is driven from government owned Public Sector Undertakings like Paschim Gujarat Vij Company Ltd, Uttar Gujarat Vij Company Ltd, Dakshinanchal Vidyut Vitran Nigam Ltd etc. which exposes the turnover to any variation in the number or size of orders. The company faces competition from many organized and unorganized players in the sector, as tendering is based on minimal amount of bidding of contracts, however to an extent this risk is mitigated on account of extensive experience of the promoters.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity position is adequate as reflected by the fact that the Company's Gross Cash Accruals are sufficient to cover its debt obligations. The average utilization for overall fund based working capital facilities stood at 15.89% for the past 12 months ended Dec-21 and Cash and cash equivalents stood at Rs. 0.24 Crore as on 31st March 2021. The current ratio and quick ratio as of 31st March 2021 has been 1.58x and 1.18x respectively. FY21 financials are provisional.

About the Company:

EEPL was incorporated in 2002 and is owned & managed by Mr. Deven Chowdhary and Mr. Rohit Chowdhary. EEPL is engaged in manufacturing Static Watt Hour Energy Meters (Single Phase and Three phase) across various communication platforms and technologies. Apart from electronic energy meters, EEPL also manufactures eco-friendly emergency lights, MCB, UPS etc. The Company has been present in the electrical components & equipment industry since the last 40 years. The company is also into smart energy meters.

Financials:

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Provisional)
Total Operating Income	30.44	43.05
EBITDA	1.34	2.41
PAT	0.52	1.26
Total Debt	6.82	7.03
Adjusted Tangible Net-worth	13.43	14.82
Ratios		
EBITDA Margin (%)	4.42	5.59
PAT Margin (%)	1.67	2.89
Overall Gearing Ratio (x)	0.51	0.47

Status of non-cooperation with previous CRA:

Crisil vide its press release dated 17th August 2021 has classified the rating under Issuer Not Co-operating category.

Any other information: NA

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2021-22)		Rating History for the past 3 years		
		Amount	Rating (28-Jan-2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1	Long Term Fund Based Bank Facility – Term loans	0.67	IVR BB /Stable	--	--	--
2	Long Term Fund Based Bank Facility – Cash Credit	3.50	IVR BB /Stable			

3	Short Term Non-Fund Based Bank Facility – Bank Guarantee	10.50	IVR A4+			

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facility – Cash Credit	--	--	--	0.67	IVR BB/ Stable
Long Term Fund Based Bank Facility – Term Loan	--	--	--	3.50	IVR BB/ Stable
Short Term Non-Fund Based Bank Facility – Bank Guarantee	--	--	--	10.50	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/Eppeltone-Engineers-lenders-Jan2022.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 https://www.infomerics.com/.