Press Release

Neo Power Electronics & Projects Private Limited
March 11, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	0.75	IVR BB/ Stable (IVR Double B with Stable outlook)	IVR BB-/ Stable (IVR Double B Minus with Stable outlook)	Rating upgraded	Simple
Short Term Bank Facilities	29.25	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	Rating reaffirmed	Simple
Total	**30.00 (INR thirty 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 long-term rating and reaffirmed the short-term rating assigned to the bank facilities of Neo Power Electronics & Projects Private Limited (NPEPL) considering moderate order book reflecting near term revenue visibility. The ratings also continue to drive strength from long track record of operations with experienced promoters and comfortable capital structure and debt coverage indicators. However, these rating strengths are constrained by the fact that the company has fluctuating profits, working capital-intensive nature of operations, and customer and supplier concentration risk.

The long-term rating outlook remains Stable as the company will continue to benefit from long track record of operations and the extensive experience of the promoters.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of operation

Downward Factors

- Decline in operating income and/or profitability on sustained basis
- Deterioration in capital structure and/or availment of debt leading to deterioration in capital structure.
- Delay in receiving payments from customers leading to stretch in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Moderate order book reflecting near term revenue visibility

NPEPPL order book stood at around Rs. 94.57 crore as on Feb 28, 2025, i.e., 1.44 times of its FY24 (refers to the period 1st April 2023 to 31st March 2024) total operating income (i.e., Rs. 65.71 crore) which provides adequate revenue visibility in the near term. Infomerics notes that the company's ability to scale up resources both in terms of machinery and manpower for successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.

Long track record of operations with experienced promoters

NPEPPL boasts a well-established operational history spanning over four decades. Its promoters possess extensive experience exceeding four decades within the same industry, facilitating the establishment of enduring relationships with both customers and suppliers.

Comfortable capital structure and debt coverage indicators

The capital structure of NPEPPL has maintained a favourable stance, with overall gearing ratio improving to 0.06 times as on 31st March 2024 from 0.20 times as on 31st March 2023. Moreover, the Total Outside Liabilities to Tangible Net Worth ratio improved to 0.50 times as on 31st March 2024 as compared to 1.97 times as on 31st March 2023 attributed to no utilisation of working limits as on 31st March 2024. Debt protection metrics, namely Debt Service Coverage Ratio (DSCR) and Interest Service Coverage Ratio (ISCR), have remained satisfactory. Moreover, there has been an improvement in these metrics during FY24 compared to the FY23 (refers to the period 1st April 2022 to 31st March 2023). ISCR and DSCR improved to 12.36 times and 9.77 times respectively as on 31st March 2024 from 11.95 times and 9.10 times respectively as on 31st March 2023.

Key Rating Weaknesses

Fluctuating profits

Profitability margins i.e. (EBITDA and PAT) remained fluctuating. The EBITDA and PAT margins has marginally declined by 282bps and 100bps and stood at 19.88% and 17.87%

(vis-a-vis 22.70% and 19.87% in FY23) respectively. The margins remained unstable because on irregularities in raw material consumption cost as percentage of total operating income. Also, the margins depend on order-to-order basis rather than remaining same which is generally the case with manufacturing units.

Working capital-intensive nature of operations

The operational dynamics of NPEPPL underscore a pronounced dependency on working capital, primarily attributable to capital entrenchment in inventory and outstanding receivables, thus contributing to an extended working capital cycle. Notably, the inventory days was ranging from 66 to 75 days. Moreover, NPEPPL extends credit periods ranging from 138 to 278 days to its clientele, which results in need of more cash on hand or in bank to cover ongoing operations until customers pay their bills. Delays in such collections can significantly affect the liquidity of the company.

Customer and supplier concentration risk

NPEPPL maintains business associations with esteemed clients, including the Governments of Defense in India, Algeria, and Vietnam, underscoring its reputation in the industry. The company has fostered enduring relationships with both its clientele and suppliers over time. However, it is noteworthy that despite its established standing, there exists a notable concentration within its customer and supplier base. Approximately 100% of the Total Operating Income (TOI) for the fiscal year 2023-2024 emanates from its foremost customer, while approximately 70% of procurement transactions are attributed to the primary supplier.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of NPEPPL is expected to remain adequate marked by its expected cash accruals of around ~Rs.6.25 crore to ~Rs.9.55 crore during FY25-27 vis-a-vis no debt repayment obligations. Moreover, the average working capital utilisation was nil during the last 12 months ending in Jan 2025, which imparts sufficient cushion in the liquidity.

About the company

Neo Power Electronics & Projects Private Limited (NPEPPL) was originally incorporated in 1975 as a proprietorship and changed its status to private limited company in 1988. It works with telecommunications firms, defense facilities, and associated industries to manufacture, install, and maintain electrical, electronics, instrumentation, and automation equipment and projects. Baburao S. Wanelkar and his family are the promoters. Their production facilities are situated in Maharashtra, and their registered office is in Mumbai.

Financials (Standalone): **(Rs. crore)**

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	65.34	65.71
EBITDA	14.84	13.06
PAT	9.59	8.74
Total Debt	6.21	2.31
Tangible Net Worth	31.12	39.84
EBITDA Margin (%)	22.70	19.88
PAT Margin (%)	14.65	13.23
Overall Gearing Ratio (x)	0.20	0.06
Interest Coverage (x)	11.95	12.36

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

Brickwork ratings has continued the ratings in the Issuer Not Cooperating category vide its press release dated 2nd July 2024 due to non-submission of information by the client.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	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
					21-May-2024	-	-	-
1.	Cash Credit	Long Term	0.75	IVR BB/ Stable	IVR BB-/ Stable	-	-	-
2.	Non-Fund based limits	Short Term	26.00*	IVR A4	IVR A4	-	-	-
3.	Packing Credit	Short Term	3.25	IVR A4	IVR A4	-	-	-

**Non fund based limits include ILC/FLC (FLC restricted to INR 3.50 Cr) of INR 20.00 Cr and ILG/FLG of INR 11.50 Cr. All the facilities (ILC/ELC/ILG/FLG) are interchangeable. However, the total utilised limit at any point shall not exceed INR 26.00 Cr.*

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About Infomerics:

Infomerics Valuation and Rating Limited (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.

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
Cash Credit	-	-	-	-	0.75	IVR BB/ Stable
Non-Fund based limits	-	-	-	-	26.00*	IVR A4
Packing Credit	-	-	-	-	3.25	IVR A4

**Non fund based limits include ILC/FLC (FLC restricted to INR 3.50 Cr) of INR 20.00 Cr and ILG/FLG of INR 11.50 Cr. All the facilities (ILC/ELC/ILG/FLG) are interchangeable. However, the total utilised limit at any point shall not exceed INR 26.00 Cr.*

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-NeoPower-mar25.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.