Press Release

Neo Power Electronics & Projects Private Limited
May 21, 2024

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	0.75	IVR BB-/ Stable (IVR double B minus with stable outlook)	Assigned	Simple
Short Term Bank Facilities	29.25	IVR A4 (IVR A four)	Assigned	Simple
Total	**30.00 (INR thirty crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Neo Power Electronics & Projects Private Limited (NPEPPL) derives strength from the long track record of operations with experienced promoters, and comfortable capital structure and debt coverage indicators. However, these ratings strengths are constrained by the facts that NPEPPL has fluctuating topline and profits, modest order book position, working capital-intensive nature of operations, and customer and supplier concentration risk.

Rating Sensitivities

Upward Factors

- Steady growth in the scale of operations and profits.

Downward Factors

- Deterioration in profitability
- Any unplanned debt funded capex leading to deterioration in overall gearing ratio.
- Delay in receiving payments from customers leading to stretch in liquidity.

Detailed Description of Key Rating Drivers

Key Rating Strengths

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 the Total Outside Liabilities to Tangible Net Worth ratio improved as on 31st March 2024 (Provisional) as compared to 31st March 2023. However, there has been a slight decline over 31st March 2022 when it was 0.23 times, attributed to an increase in unsecured loan from promoter reflected on the balance sheet. Despite this, 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 FY23 compared to the FY22. ISCR and DSCR improved to 17.36 times and 56.43 times respectively as on 31st March 2023 from 3.58 times and 10.77 times respectively as on 31st March 2022.

Key Rating Weaknesses

Fluctuating topline and profits

The total operating income of the company remained erratic over the past four financial years. It declined to INR 14.46 Cr during FY22 from INR 40.07 Cr during FY21 and increased to INR 65.34 Cr during FY23. However, it again declined to INR 62.97 Cr during FY24(Provisional). The orders received by the company fluctuated over the years leading to erraticism in the total operating income. Profitability margins i.e. (EBITDA and PAT) remained fluctuating and low during FY23. The same has significantly improved by 1554bps and 1440bps and stood at 22.08% and 14.65% (vis-a-vis 6.54% and 0.25% in FY22) due to decrease in the contribution of operating expenses i.e. cost of goods, other services expenses, labor charges, and direct expenses during the year. During FY21, EBITDA and PAT Margin were 15.80% and 10.77% respectively.

Modest order book position

The company's order book position remains modest as indicated unexecuted order book of INR 82.33 Cr as February 2024 which is 1.31x of FY24 total sales. The order will be executed during financial year 2024-25. Absence of any further orders limits the company's capability to improve their total operating income in the near future.

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 99 to 74 days. Moreover, NPEPPL extends credit periods ranging from 212 to 254 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 80% of the Total Operating Income (TOI) for the fiscal year 2023-2024 emanates from its foremost customer, while approximately 84% 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]

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 low at 12.16% during the last 12 months ending in March 2024 with low utilisation in past 6 months ending in March 2024, which imparts cushion in the liquidity.

About the Company

Neo Power Electronics and 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	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	14.46	65.34
EBIDTA	0.95	14.43
PAT	0.04	9.59
Total Debt	3.87	6.21
Tangible Net Worth	21.53	31.12
EBDITA Margin (%)	6.54	22.08
PAT Margin (%)	0.25	14.65
Overall Gearing Ratio (x)	0.18	0.20

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

Brickwork vide press release dated 4th July 2023 has moved the rating to the Issuer Not Cooperating category on account of non-availability of requisite information.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (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.	Cash Credit	Long Term	0.75	IVR BB-/ Stable	-	-	-
2.	Non-fund based limits	Short Term	26.00*	IVR A4	-	-	-
5.	Packing Credit	Short Term	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.

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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.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	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: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-NeoPower-may24.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 www.infomerics.com