



Press Release

Uttamenergy Limited (UEL)

September 23, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long term bank facility – Cash Credit	20.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Revised; Rating removed from credit watch	Simple
Short term bank facilities – LC/BGs	63.00	IVR A2 (IVR A Two)	Revised; Rating removed from credit watch	Simple
Total	83.00			

Details of facilities are in Annexure 1

Detailed Rationale

The rating upgrade and removal from Credit Watch with Developing Implications of Uttamenergy Limited (UEL) considers significant improvement in total operating income in FY22, strong order book position providing near term revenue visibility and healthy performance in Q1FY23.

Further rating continues to derive comfort from diverse product and services portfolio, access to superior technology benefitting from international collaborations and improvement in the capital structure with healthy debt protection metrics. However, these rating strengths remain constrained by exposure to cyclicity of end user industries and raw material price fluctuation.

Key Rating Sensitivities:

Upward Factor:

- Growth in scale of operations with improvement in profitability
- Sustenance of the capital structure

Downward Factor:

- Any deterioration in liquidity profile
- Moderation in the capital structure

Detailed Description of Key Rating Drivers

Key Rating Strengths



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Diverse product and services portfolio

UEL has a diverse product and services portfolio. Their products include Biomass Fired Steam Boilers, Palm Waste/Napier Grass Boilers, Incineration Boilers and Bagasse Dryers. They also provide services such as prefeasibility and project report, complete power plant engineering, project management consulting, power plant pipe design and analysis, energy auditing and efficiency improvements and specialized services such as capacity enhancement and efficiency improvement for steam boilers, conversion of coal boilers to biomass fired boilers, remote performance monitoring systems for boilers. They also provide O&M solutions to power plants, sugar plants and ethanol plants. The company also caters to clients in diverse end user industries including power, sugar, engineering, chemicals, petrochemicals, cement and infrastructure.

Improvement in the capital structure with healthy debt protection metrics

The capital structure, overall gearing ratio and other debt coverage indicators of the company are comfortable. Steady cash accruals and gradual decline in total debt level led to overall improvement in debt metrics over the past three years. Accordingly, the overall gearing has improved to 0.25x in FY22 (Prov.) as against 0.47x in FY21. The DSCR and interest coverage have improved from 3.18x and 3.45x respectively in FY21 to 3.78x and 5.53x respectively in FY22 (Prov.)

Improvement in total operating income albeit decline in EBITDA margins

Total operating income of the company has improved significantly by ~183% in FY22 to Rs.294.19 crore from Rs.101.72 crore in FY21, on account of better execution of orders in hand. However, the EBITDA margins has declined to 7.97% in FY22 from 13.49% in FY21 on account of higher input cost and impact of COVID in first quarter.

Access to superior technology benefitting from international collaborations

During FY19, UEL entered into a license agreement with Eckrohrkessel GmbH (ERK), based in Germany, to provide steam boiler design solutions on Waste Heat Recovery Boilers (WHRB), exhaust heat recovery boilers, steam boilers capable of handling challenging fuels like municipal waste. ERK are placed among the top global technology providers for boilers and heater systems. The collaboration is likely to enable UEL to have access their engineering



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and design services located in Berlin at their fingertips. Additionally, the company is exploring opportunities to expand its collaborations, increase in which would lead to further strengthening of their business profile.

Key Rating Weaknesses

Exposure to cyclicalities of end user industries

The engineering and capital goods industry is highly vulnerable to economic cycles. Consequently, UEL has witnessed periodic slowdowns in revenue growth due to delays in capex by customers. Further, shut down of the manufacturing operations across India since the last week of March 2020 owing to the COVID-19 outbreak, has impacted their revenues. The company management remains positive about their order forecasts as the economy is recovering from the pandemic.

Raw material price fluctuation

The price of steel has seen a lot of volatility over the last three years. The costs of raw materials and finished goods are volatile in nature and hence, profitability of the company is susceptible to fluctuation in the prices of its raw material prices and/or its finished goods. However, company places the major raw material orders at the time of receiving the order itself, which mitigates the price fluctuation risk to some extent. In case their projects are kept on hold due to uncertainties from the client's end then the company recovers any increase in costs caused by price fluctuations from the client.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on assigning rating Outlook](#)

Liquidity - Adequate

Liquidity is adequate, with GCA of INR 16.29 crore as compared to their debt obligations amounting to INR 5.43 (including CPLTD + Interest). The company has a sufficient cash &



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bank balance of INR 0.89 crore to cushion any further short term payment requirements. The average utilisation stood at ~48% for fund based facilities during the 12 months ended June 2022 indicating adequate liquidity position for the company.

About the Company

Uttamenergy Limited (UEL) was incorporated in the year 2012, after take-over of LIPI Boilers, which had over 40 years of experience in the field of biomass fired boilers. The plant is located in Aurangabad. The company is ISO 9001 certified and therefore offers the highest quality standards, most technological advanced products and the reliable solutions for sugar plants, ethanol plants, co-generation plants, captive power plants, biomass based independent power plants, waste to energy plants, as well as equipment and services for sugar, distilleries, energy and power.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	101.72	294.19
EBITDA	13.73	23.45
PAT	7.51	13.50
Total Debt	22.03	11.47
Tangible Networth	46.88	45.78
EBITDA Margin (%)	13.49	7.97
PAT Margin (%)	7.20	4.57
Overall Gearing Ratio (x)	0.47	0.25

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: N.A.

Any other information: N.A.



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated September 09, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Dated June 20, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	20.00	IVR BBB+/ Stable	IVR BBB/ Credit Watch with Developing Implication	IVR BBB/ Stable	-
2.	LC/BGs	Short Term	63.00	IVR A2	IVR A3+/ Credit Watch with Developing Implication	IVR A3+	-

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About Infomerics:

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 Fund Based Facility – Cash Credit	-	-	-	20.00	IVR BBB+/ Stable
Short Term Non-Fund Based Facility – LC/BGs	-	-	-	63.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Uttamenergy-sep22.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.