



## Press Release

### Servotech Power Systems Limited

July 05, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	123.64	IVR BBB- /Stable [IVR Triple B Minus with a stable outlook]	-	Assigned	<a href="#">Simple</a>
Short Term Bank Facilities	45.00	IVR A3 [IVR A Three]	-	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>168.64</b>	<b>[Rs. One hundred sixty-eight crore and sixty-four lakhs only]</b>			

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 Ratings has assigned its rating of IVR BBB- with a stable outlook to the long term bank facilities and IVR A3 to the short-term bank facilities of Servotech Power Systems Limited.

The rating draws comfort from extensive experience of the promoters along with augmentation in scale of operations albeit moderation in profitability. The rating further draws comfort from comfortable financial risk profile coupled with favourable demand in end user solar and EV industries. However, these rating strengths are partially offset by working capital intensive nature of operations along with risk of intense competition and regulatory changes.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that Servotech Power Systems Limited will continue to benefit on account of stable outlook for solar and EV industry.

Infomerics Ratings has principally relied on the standalone audited financial results of Servotech Power Systems Limited up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to



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March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained improvement in revenue & profitability.
- Sustained improvement in working capital cycle.

#### **Downward Factors**

- Any substantial decline in revenue and/or profitability impacting the debt protection metrics or liquidity.
- Any further deterioration in capital structure metrics, specific credit metric for rating downgrade includes DSCR below 1.50 times on a sustained basis.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Extensive experience of the promoters**

Established in 2004, Servotech Power Systems Limited is engaged in providing end to end solutions for solar related products and are also engaged in the development of AC-DC chargers used for electric vehicles. The managing director of the company, Mr. Raman Bhatia has more than two decades of experience in this field and is assisted by a team of well qualified and experienced members.

- **Favourable demand outlook for Solar and EV industry**

The demand outlook for domestic solar industry remains favourable, supported by energy transition targets announced by the Government of India with greater focus on solar power sector. Going forward, the Indian solar industry is poised to continuous growth supported by technological advancements, favourable Government policies and increasing awareness of the benefits of solar energy. Electric vehicle market in India is also growing on account of Government's thrust on increasing the penetration by giving various incentives and announcing schemes.



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- **Augmentation in scale of operations albeit moderation in profitability**

The TOI of the company has grown by 22.69% and stood at Rs. 305.69 crore as per the audited results for FY24 compared to Rs. 249.15 crore in FY23 on account of an increase in their production capacity which led to the increase in the sales volume.

The EBITDA margin of the company moderated by 55 bps and stood at 6.61% in FY24 compared to 7.16% in FY23 on account of an increase in manufacturing and administration expenses along with the increase in employee benefit expenses during the year. With moderation in EBITDA margin coupled with the increase in the finance cost, the PAT margin of the company also moderated by 53 bps and stood at 3.71% in FY24 compared to 4.24% in FY23. The GCA of the company stood at Rs. 14.69 crore in FY24, which improved from Rs. 12.46 crore in FY23 on account of increase in top line.

- **Comfortable financial risk profile**

The capital structure of the company stood comfortable marked by overall gearing of 0.77x as on March 31, 2024, moderated from 0.55x as on March 31, 2023, on account of increase in the total debt. The TOL/TNW stood moderate at 1.14x as on March 31, 2024, moderated from 0.90x as on March 31, 2023, on account of increase in creditors. The debt protection metrics of the company stood healthy marked by ICR at 6.28x in FY24 as against 7.49x in FY23. DSCR stood comfortable at 4.02x as on March 31, 2024, which improved from 3.88x as on March 31, 2023.

### Key Rating Weaknesses

- **Working capital intensive nature of operations**

Servotech Power Systems Limited has relatively higher working capital requirements as reflected in the collection period of 100 days in FY24 as against 87 days in FY23. Operating cycle also elongated in FY24 and stood at 101 days as against 85 days in FY23.



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- **Susceptible to intense competition and regulatory changes**

Despite the promising growth prospects, the domestic solar industry in India is also susceptible to intense competition and regulatory changes. The solar industry in India is marked by intense competition among both domestic and international players. While government policies generally support solar industry, uncertainties in policy implementation remains a challenge.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies  
Financial Ratios & Interpretation \(Non-Financial Sector\).  
Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

The company's liquidity is adequate marked by 34.83% average utilisation of fund-based limits during the past 12 months ended March 2024. The unencumbered cash and bank balance stood at Rs. 48.97 crore as on March 31, 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company is expecting GCA in the range of Rs. 31.42 Cr. - Rs. 56.16 Cr. during FY25-27 against debt repayment of Rs. 4.00 Cr. In FY25-27. The company has a Current Ratio of 1.81x as on March 31, 2024, compared to 1.85x as on March 31, 2023. The Working Capital Cycle of the company stood at 101 days in FY24 days which was 85 days in FY23.

### **About the Company**

Servotech Power Systems Limited is engaged in the energy sector producing solar products and EV chargers, they are also into development of ultra-fast DC chargers and home AC chargers. They started their business with the introduction of Sine- wave inverters used for commercial and domestic purposes. The company is also engaged in providing LED lightning solutions, solar streetlights, solar- hybrid inverters.

**Financials (Standalone):**



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For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	249.15	305.69
EBITDA	17.83	20.22
PAT	10.58	11.39
Total Debt	44.01	87.98
Tangible Net Worth	80.34	113.53
EBITDA Margin (%)	7.16	6.61
PAT Margin (%)	4.24	3.71
Overall Gearing Ratio (x)	0.55	0.77
Interest Coverage (x)	7.49	6.28

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** None

**Any other information:**

**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	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.	Fund Based Bank Facilities	Long Term	123.64	IVR BBB-/Stable	-	-	-
2.	Non-Fund Based Bank Facilities	Short Term	45.00	IVR A3	-	-	-

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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



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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](http://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
Working Capital*	-	-	-	-	20.00	IVR BBB-/Stable
Cash Credit#	-	-	-	-	80.00	IVR BBB-/Stable
Term Loan	-	-	-	October' 2030	23.64	IVR BBB-/Stable
Bank Guarantee@	-	-	-	-	45.00	IVR A3

\*Working capital has a sublimit of Cash Credit of Rs. 10.00 Cr., sublimit of Working capital demand loan of Rs. 7.5 Cr. sublimit of SLC/ULC of Rs. 20.00 Cr., sublimit of Bill discounting of Rs. 20.00 Cr., sublimit of Bank Guarantee of Rs. 10.00 Cr.

# Cash Credit with ICICI has a sublimit of WCDL/LC/SBLC of Rs. 8.00 Cr./Rs. 2.00 Cr./Rs. 2.00 Cr. respectively.

# Cash Credit with HDFC Bank has a sub limit of WCDL of Rs. 18.00 Cr.

# Cash Credit with PNB has a sublimit of ILC/FLC of Rs. 15.00 Cr.

@Bank Guarantee with ICICI of Rs. 10.00 Cr. has a sub limit of Letter of credit of Rs. 10.00 Cr.

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Servotech-july24.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](http://www.infomerics.com).