



## Press Release

### Intergen Energy Limited August 28, 2020

#### Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term - Bank Facilities	3.90	IVR BBB-/Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	Assigned
Short Term - Bank Facilities	26.10	IVR A3 (IVR A Three).	Assigned
<b>Total</b>	<b>30.00</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The aforesaid rating assigned to Intergen Energy Limited (IEL) derives comfort from its experienced promoters and management team with established track record of operations. The rating also factors in its Stable financial performance with a healthy order book position indicating medium to long term revenue visibility, comfortable capital structure along with adequate coverage metrics. Further, capital structure is expected to remain comfortable as the company is not having any debt avilment plan in medium term. These rating strengths are partially offset by Susceptibility of profitability to volatile input prices, tender driven nature of business in highly fragmented & competitive construction sector, revenue concentration risk in order book and Inherent risk as an EPC contractor

#### Key Rating Sensitivities

##### Upward factors:

- Growth in scale of operations with improvement in profitability, and cash on a sustained basis.
- Manage working capital requirements efficiently with improvement in liquidity position.

##### Downward factors:

- Moderation in scale of operations or profitability impacting the liquidity profile
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x.



## Press Release

- Delay in conversion of compulsory convertible debentures of Rs.10.7 Cr to equity shares capital beyond current fiscal.

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

#### **Key Rating Strengths**

#### **Experienced promoters and management team with established track record of operations:**

The promoters of the company are qualified and have extensive experience of over two decades in the infrastructure industry. Such a long stint in the industry provides them with a competitive edge in establishing strong relationships with suppliers and customers. The company was formed in 2011 and has sailed smoothly through business cycles. Moreover, IEL is managed by qualified professionals having the requisite technical knowledge and skills thereby providing synergistic advantage to the company in terms of successful project execution and commissioning.

#### **Healthy though concentrated order book position:**

The company has healthy unexecuted order book position as on date, thereby, giving medium to long term revenue visibility. However, the same is concentrated towards contracts from Public Health Engineering Department, Bihar, Madhya Pradesh Jal Nigam Maryadit, Madhya Pradesh and the Urban Administration and Development Department, Madhya Pradesh. Going forward, materialization of the already bided contracts and win of new contracts will be crucial for the company.

#### **Comfortable capital structure with healthy debt protection metrics**

The overall gearing of the company stood comfortable at 0.06x as on March 31, 2020. The debt protection indicators of the company like interest coverage have strong at 15.7x in FY20 (5.1x in FY19) and DSCR at above 6 times in FY20. Total Debt/GCA has improved from 1.31 years in FY19 to 0.88 years in FY20 mainly due to steady increase in GCA and conversion of compulsory convertible debentures into equity share capital of Rs.7.3 Crore. Further, total indebtedness of the company as reflected by TOL/ATNW remained comfortable at 0.38x as on March 31, 2020.



## Press Release

### **Key Rating Weaknesses**

#### **Susceptibility of profitability to volatile input prices**

IFL undertakes projects primarily under engineering, procurement and construction basis (EPC) and are active within the field of water/ waste water treatment and supply and renewable energy projects. So the major inputs required by the company DI Pipes, HDPE Pipes, Cements etc. However, some of the contracts (70-80% of the total contracts) executed by the company contain escalation clause but the same is not sufficient to guard against volatile input material price. This apart, it does not enter into any agreement with contractees to safeguard its margins against any increase in labour prices and being present in a highly labour intensive industry, it remains susceptible to the same.

#### **Tender driven nature of business in highly fragmented & competitive construction sector**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented marked by presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output. IEL faces direct competition from various organized and unorganized players in the market.

#### **Revenue concentration risk in order book**

Geographic and segment concentration risks persist, because, major operations have been restricted to Installation of Treatment Plant and Water Supply Projects mainly for the Public Health Engineering Department, Bihar, Madhya Pradesh Jal Nigam Maryadit, Madhya Pradesh and The Urban Administration and Development Department, Madhya Pradesh, Building Construction Department. However, long standing experience of the promoters in this segment and in the state imparts comfort. Further, geographical concentration risk is partially mitigated through healthy order book position and empanelment as "A5" class contractor, which makes eligible to do bidding in other states as well. Hence, effective and timely execution of the orders has a direct bearing on the margins.



## Press Release

### **Inherent risk as an EPC contractor**

Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector.

**Analytical Approach: Combined.** Standalone

### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The liquidity profile of IEL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.6.12-10.54 crore as against a minimal debt repayment obligation of ~Rs.0.10 Cr up to FY21. Moreover, the company has a healthy current ratio at above 2.9 times as on March 31, 2020. The average working capital utilisation of the company remained high at ~97% during the past 12 months ended June, 2020 indicating limited liquidity buffer. However, the company has adequate gearing headroom for additional debt with an overall gearing of 0.06x as on March 31, 2020 due to conversion of debentures into equity share capital. Further, the company has no planned capex or availment of long-term debt plan which imparts comfort. Going forward, in case of substantial increase in revenue, enhancement in bank lines remains critical to efficiently manage liquidity.

### **About the Company**

Intergen Energy Ltd ('IEL' or 'the company') was incorporated on 30th August 2011 as a public limited company, closely held. Headquartered in Gurugram, Haryana, the company operates in the infrastructure industry. IEL undertakes projects primarily under engineering, procurement and construction basis (EPC) and are active within the field of water/ waste water treatment and supply and renewable energy projects. Also, the company undertakes operation & maintenance (O&M) contracts for solar power projects. Scope of work includes design, Construction, Supply, Testing, commissioning of Water Supply Schemes which include Water Extraction, Treatment, Storage, Supply and Distribution as well as Waste



## Press Release

Water Management in the States of Bihar, Jharkhand, Madhya Pradesh and Mizoram. IEL is an ISO certified company.

### Financials (Standalone Basis)

For the year ended / As on*	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	56.0	82.4
EBITDA	4.31	5.61
PAT	1.14	4.29
Total debt	2.43	4.33
Tangible Networth (Adj.)	62.98	69.13
PAT margins (%)	2.00	5.07
EBITDA margins (%)	7.70	6.81
Overall Gearing Ratio (x)	0.04	0.06

\*classification as per Infomerics standard

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Long term Fund based Facilities– Overdraft	Long Term	3.90	IVR BBB- /Stable Outlook	-	-	-
2	Short Term Fund based Facilities – Bank Guarantee	Short Term	26.10	IVR A3	-	-	-

**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).

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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 (Rs. Crore)	Rating Assigned/ Outlook
Long term Bank Facilities– Overdraft	-	-	Revolvin g	3.90	IVR BBB-/Stable Outlook
Short Term Bank Facilities – Bank Guarantees	-	-	-	26.10	IVR A3