



Press Release

Encorp Powertrans Private Limited (EPPL)

March 01, 2021

Sr. No	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Facility – Cash Credit	30.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed
2	Long Term Fund Based Facility – Term Loan	0.16 (Reduced from INR0.30 Crore)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed
3	Long Term Fund Based Facilities – Term Loans (FITL, BCECL, WCTL)	9.65	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
4	Short Term Non-Fund Based Facility – Letter of Credit	25.00 (Increased from INR15.00 Crore)	IVR A4+ (IVR Single A Four Plus)	Reaffirmed
5	Short Term Non-Fund Based Facility – Bank Guarantee	35.00 (Decreased from INR45.00 Crore)	IVR A4+ (IVR Single A Four Plus)	Reaffirmed
	Total	99.81		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to derive strength from extensive experience of promoters, healthy order book position providing revenue visibility for medium term, location specific benefits and favourable demand prospects for heavy steel structures. However, the rating strengths are partially offset by moderate working capital cycle and highly competitive industry.

Key Rating Sensitivities:

- **Upward Factor**

- Substantial improvement in scale of operations leading to improvement in profitability and debt protection metrics.



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- **Downward Factor**

- Any decline in scale of operation and/or significant elongation of working capital cycle or deterioration of debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths

- ***Extensive experience of the promoters:***

The company has been set up under the able leadership of Mr. Vinod Nowal (Mentor), Mr. Rahul Nowal (Director) and Mr. Vinay Nowal (Director). Collectively, they have rich experience in the particular industry and are instrumental in setting up and developing the venture. Having operated in industry since many years now, the promoters have established a strong network with suppliers and customers.

The Company shall continue to benefit from its experienced promoters, its technical expertise, diversified clientele and overall operational track record.

- ***Healthy order book position providing revenue visibility for medium term:***

Due to the established position in the market, EPPL has been able to get recurring orders from its customers. The Company's outstanding order of INR169.50 Crore is to be executed with the next 1-3 years, which provides revenue visibility over near to medium term. With promoters' extensive experience, established network and effective completion capabilities, the Company has been able to build healthy relationships with reputed customers which also include various government entities. Further, the order book is diversified across Infrastructure based EPC contracts, solar panel manufacturing and Railway electrification projects. As per the unaudited financials, the Company reported a total sales turnover of INR100.24 Crore in 10MFY21 (i.e. 83% of FY20 sales)

- ***Location specific benefits:***

Setup over a substantial land mass of 15 acres, the manufacturing unit of the company is located in Tarapur, in the Palghar district of Maharashtra. It procures its key raw materials from local units, which provides logistics convenience, while ensuring prompt receipt of raw materials. It also has an ease of access to rolling mills of Raipur, Nagpur and Gujarat. Proximity to the raw materials sources enables the company to keep a low inventory.



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- ***Favorable demand prospects for heavy steel structures:***

Demand prospects for steel structures in India are favourable, with increasing focus on their use across segments such as building construction, roads, bridges, ports, airports, etc. Further the government's increasing interest in infrastructure development augur well for the fabrication industry.

Key Rating Weaknesses

- ***Moderate working capital cycle:***

The working capital intensive nature of operations is marked by increase in inventory levels to 145 days in FY 20 when compared to 83 days in FY19, largely on account of inventory being piled up due to Covid-19 troubles. The receivable period further stood elongated at 120 days in FY20 as against 96 days in FY19. The Company's operations are expected to remain working capital intensive, as the Company is into EPC contracts and other manufacturing activities, which leads to high work in progress inventory.

- ***Highly competitive industry:***

Given marginal capital investment requirements and low technical complexity, the steel fabrication industry is highly fragmented with numerous unorganised players. Further, there are organised domestic players as well as international suppliers, who work in joint venture with domestic companies or as subcontractors for large companies, posing intense competition.

Analytical Approach &Applicable Criteria:

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Liquidity profile remains adequate for the Company on account of sufficient cash accruals vis a vis repayment. The outstanding cash and bank balances stood moderate at INR13.81 Crore (cash balance of INR0.44 Crore and bank balances of INR13.37 Crore{Includes restricted cash}) as on March 31st, 2020. The liquidity is expected to remain adequate in the near term on account of steady cash flow backed by comfortable to be executed order book



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position. The fund based average utilization stood at 96% during the twelve months ended January 2021.

About the Company

Encorp Powertrans Private Limited (EPPL) is an engineering group, which was set up on 15 acres at Tarapur, EPPL offers fabrication and galvanizing facilities to cater to the Tower and Infrastructure industry. It offers a wide array of engineering services ranging from Plate Fabrication, Machining & Assembly, Structural Steel fabrication (Punching, Shearing, Notching, Bending, etc.), Sheet Metal fabrication and Hot Dip Galvanizing through its Transmission Line Towers (TLT) & General Electrical Verticals.

Financials:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	151.88	120.78
EBITDA	10.17	8.99
PAT	2.79	1.44
Total Debt	68.49	57.20
Tangible Net worth	20.80	22.20
EBITDA (%)	6.69	7.44
PAT (%)	1.83	1.19
Overall Gearing Ratio (x)	3.29	2.58

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings in its press release dated January 15th, 2020 migrated the rating of Encorp Powertrans Private Limited to 'Issuer Not Cooperating' category.

Any other information: N.A



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Rating History for last three years:

Sl. No	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (January 06 th , 2020)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Cash Credit	Long Term	30.00	IVR BB+/Stable	IVR BB+/Stable	--	--
2.	Long Term Fund Based Facility – Term Loan	Long Term	0.16 (Reduced from INR0.30 Crore)	IVR BB+/Stable	IVR BB+/Stable	--	--
3.	Long Term Fund Based Facilities – Term Loans (FITL, BCECL, WCTL)	Long Term	9.65	IVR BB+/Stable	--	--	--
4.	Short Term Non-Fund Based Facility – Letter of Credit	Short Term	25.00 (Increased from INR15.00 Crore)	IVR A4+	IVR A4+	--	--
5.	Short Term Non-Fund Based Facility – Bank Guarantee	Short Term	35.00 (Decreased from INR45.00 Crore)	IVR A4+	IVR A4+	--	--

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.

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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. 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	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	30.00	NA	NA	NA	IVR BB+/Stable
Long Term Fund Based Facility – Term Loan	0.16 (Reduced from INR0.30 Crore)	NA	NA	June 2021	IVR BB+/Stable
Long Term Fund Based Facilities – Term Loans (FITL, BCECL, WCTL)	9.65	NA	NA	Varies from March 2021 – June 2024	IVR BB+/Stable
Short Term Non-Fund Based Facility – Letter of Credit	25.00 (Increased from INR15.00 Crore)	NA	NA	NA	IVR A4+
Short Term Non-Fund Based Facility – Bank Guarantee	35.00 (Decreased from INR45.00 Crore)	NA	NA	NA	IVR A4+