Rating Rationale

Accord Electropower Pvt. Ltd.

4 June 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.34 Crores of Accord Electropower Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Term Loan - 1 OCC	1.34 3.00*	**Long Term**	**BWR BB-** **(Pronounced as BWR Double B Minus)** **Outlook:Stable**
Non Fund Based BG/LC (Interchangeable Limit) (Proposed)	3.00	**Short Term**	**BWR A4** **(Pronounced as BWR A Four)**
Total	**7.34**	**INR** Seven Crores Thirty Four Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
*INR 3 Crores includes existing limit of INR 2.00 Crores & proposed limit of INR 1.00 Crores

Rating Assigned:

BWR has assigned Long Term Rating of BWR BB- (Outlook: Stable) & BWR A4 respectively, for the bank loan facilities for Accord Electropower Pvt. Ltd. (The company)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of the company upto FY18, FY19 Provisional and, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced management along with long track record of operations and moderate profitability margins. The rating however is constrained by low tangible net worth and working capital intensive nature of operations. The key rating sensitivities for the rating includes Scale and profitability of operations, infusion of equity towards proposed bank facility/capital expenditure to maintain moderate gearing ratio and Working capital management.

Description of Key Rating Drivers

Credit Strengths:

- **Experience of the management:** The concern is being managed by Mr. Deepak Kumar Gaur an Engineer by qualification and Mr. Paramhansh Ragahv an Engineer, Both of them have an experience of around half a decade in the power distribution industry through their association with this entity.

- **Growing revenue along with healthy order book position:** The company has reported Operating Revenue of Rs.15.36 crores in FY18, which has reached INR 51.12 crores in FY 19 as per provisionals. The company has shared the list of pending orders as on March 2019, which amounts to INR 30.72 Cr. of sales to be expected in the next financial year.

Credit Risks:

- **Intense competition from many small and medium players:** The company faces intense competition from many organised as well as unorganised players in the industry, results into deterioration in NPM/OPM in FY 18 vis-a-viz in previous year. EPC being a tender based business restricts profitability and bargaining power. STL faces competition from the presence of unorganised players catering in this segment. Due to long duration of contracts the industry has an inherent risk of prolonged receipt of payments affecting the working capital cycle of the company.

- **Thin Profitability Margins:** The profitability margins remains low as indicated by Operating profit margin at 5.63% in FY 18 as compared to 9.04% in FY 17. Also, Net profit margins remains low at about 2.20% in FY 18 as against 5.23% in FY 17.

- **Weak Liquidity profile and high conversion cycle:** The current ratio of the company stood at 1.20 times in FY 18 and Conversion cycle was at elongated 114 days due to inefficient inventory management.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Liquidity Profile: The company has Cash & Bank balances of Rs. 0.06 Crs in FY 18. **Long-term borrowings** of INR 0.52 crores includes Unsecured Loans from related parties which are non interest bearing and will be maintained in business over the medium term. The Cash Credit utilization in the last 6 months was ~40%. The current ratio was maintained at 1.20 times in FY 18. ISCR and DSCR stood at 3.52X and 1.66X in FY 18. NP/OPM stood at 2.20% and 5.63% respectively, in FY 18. Conversion Cycle is at 114 days in FY 18, on account of high inventory holdings and receivables.

Rating Outlook: ***Stable/Positive/Negative***

BWR believes the **Accord Electropower Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Noida, Uttar Pradesh based Accord Electropower Pvt. Ltd. was incorporated in November, 2015 by Mr. Deepak Kumar Gaur and Mr. Paramhans Ragahv. AMPL is engaged in manufacturing of power and distribution transformers. They are manufacturing Distribution and Power Transformers up to rating 10 MVA, 33 KV Class. The company caters to a wide cross section of industrial segments from utility to renewable energy sector and to individual industrial customers across India. Company has an annual manufacturing capacity of 500 MVA.

Company Financial Performance

The company presented a total operating income of Rs. 15.36 Crs. in FY 18 with PAT of Rs. 0.34 Crs. as compared to total operating income of Rs. 12.61 Crs. in FY 17 with PAT of Rs. 0.66 Crs. The company posted total operating income of Rs. 51.12 Crs. in FY 19 with PAT of Rs. 0.85 Crs.

Key Financial Indicators

Key Parameters	Units	2019 (Provisional)	2018 (Audited)	2017 (Audited)
Result Type				
Operating Revenue	₹ Cr	51.12	15.36	12.61
EBITDA	₹ Cr	2.08	0.86	1.14
PAT	₹ Cr	0.85	0.34	0.66
Tangible Net worth	₹ Cr	4.05	2.52	0.87
Total Debt/Tangible Net worth	Times	1.06	1.11	2.67
Current Ratio	Times	1.24	1.20	1.32

Rating History for the last three years

Instrument /Facility	Current Rating			Rating History		
Facility	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
Fund Based Term Loan - 1 OCC	Long Term	1.34 3.00*	**BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable**	**N/A**		
Non Fund Based BG/LC (Interchangeable Limit) (Proposed)	Short Term	3.00	**BWR A4 (Pronounced as BWR A Four)**			
Total		**7.34**	₹ Seven Crores Thirty Four Lakhs Only			

*INR 3 Crores includes existing limit of INR 2.00 Crores & proposed limit of INR 1.00 Crores

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Short Term Debt
- https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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