



Rating Rationale

Neo Power Electronics & Projects Pvt. Ltd.

21 Feb 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 19.55 Crores of Neo Power Electronics & Projects Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2018)	Present (Reaffirmed)
Fund based: CC ODIP	5.00	4.00 0.80	Long Term	Issuer did not cooperate BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
Non Fund Based: LG LC	2.75	12.75 2.00	Short Term	Issuer did not cooperate BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)
Total	7.75	19.55	INR Nineteen Crores Fifty Five Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon Neo Power Electronics & Projects Pvt Ltd (NPEPPL) Audited Financial Statements from FY16 to FY18 for ease in understanding and comparison. LLLPL has also provided the projected financial statements for FY19 & FY20, publicly available information and information / clarification provided by the NPEPPL management.

The ratings assigned to the bank facilities of NPEPPL draws strength from extensive experience of the promoters, reputed client base, modest scale of operations.

The ratings are however constrained by low level of TNW, stretched gearing, weak coverage ratios, low level of profitability, weak liquidity profile.

Going forward the firm's ability to improve the scale of operations, improve and maintain the profitability & maintain the liquidity will be the key rating sensitivities.



Description of Key Rating Drivers

- **Credit Strengths:**

Extensive experience of the promoters: NPEPPL's chairman is technocraft, M.Tech from IIT Mumbai, the MD is an experienced businessman, the team also consist of engineers and retired naval officers.

Reputed client base: Reputed client base like Mazgaon Dock Ltd, BARC, Director General Naval Projects and recently executed a Vietnamese navy project.

Modest scale of operations: Modest scale of operations with the TOI standing at Rs 4.05 cr in FY18 but the company has booked a revenue of Rs 74.61 cr till December 2018.

- **Credit Risks:**

Low level of TNW: The TNW has increased marginally to Rs 2.56 Cr as compared to Rs 2.51 Cr in Fy17 and is projected to increase to Rs 11.49 on the account of projected increase in PAT.

Stretched gearing: The gearing is high with the total debt/ TNW and TOL/TNW standing at 2.79x & 3.11x in FY18 as compared to 2.58x & 3.16x respectively on the account of low net worth. TOL/TNW is likely to come down to 0.87x as a result of no borrowings.

Weak coverage ratios: Low coverage ratios with ISCR & DSCR deteriorating to 1.18x i FY18 as compared to 1.70x & 1.46x respectively in FY17. They are projected to increase to 12.36x & 8.23x respectively as a result of projected increase in profits.

Low level of Profitability: Moderate profitability with the NPM standing at 1.25% in FY18 which has declined from 2.70% in FY17.

Weak Liquidity profile: Weak liquidity profile with the current ratio standing at 1.05x in Fy18 as compared to 0.92x in Fy17.

Liquidity Analysis: The average CC Utilization for the past 6 months is nil on the account of the surplus from export orders executed during the year. The company has no term debt obligations. The cash & cash equivalents stand at Rs 0.02 cr in FY18. The current ratio stands low at 1.05x.

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).



Rating Outlook: *Stable*

BWR believes the **Neo Power Electronics & Projects 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

Neo Power Electronics & Projects Pvt Ltd, an ISO 9001-2008 Company was initially started as Neo Power Electronics and Projects in 1975 as a proprietorship concern by Mr. Baburao S Wanelkar and later the company was incorporated in 1988. **NPEPPL has no group companies.** The Company is engaged in Power Electronics and Electrical Systems, Drives & Automation Systems, PLC / PC Based Automation Packages, DC Power Supply Systems, Turn Key Projects. The Company has two manufacturing facilities namely Dombivali and mahape (Maharashtra). The company was rated at BWR B+/A4 (Stable) {Issuer non co-operation} in July 2018 and has now reapproached BWR for rating the facilities amounting to Rs 7.75 Cr. NPEPPL has been doing various projects for Indian Navy, Mazgaon Dock Ltd, Bhabha Atomic Research Centre, Nuclear power cooperation, thermal power projects, and is also involved in the exporting of defence equipments.

Company Financial Performance

During FY17, the total operating income of NPEPPL stood at Rs.13.60 crore (vis-à-vis Rs.4.42 crore in FY18), whereas the PAT during the same year stood at Rs.0.37 crore (vis-à-vis Rs 0.06 crore in FY18). DSCR stood at 1.46 Times in FY17 as compared to 1.18 Times in FY18.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating (Reaffirmed)	(July, 2018)	(March, 2017)	(Dec, 2016)
1	Fund Based	long term	4.80	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	Issuer did not cooperate BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR B Plus) Upgraded	Rating Not Reviewed BWR B (Pronounced as BWR B)

2	Non Fund Based	short term	14.75	BWR A4 (Pronounced as BWR A Four)	Issuer did not cooperate BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)	Rating Not Reviewed BWR A4 (Pronounced as BWR A Four)
Total			19.55	₹ Nineteen Crores Fifty Five Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	4.42	13.60
EBITDA	₹ Cr	1.19	1.74
PAT	₹ Cr	0.06	0.37
Tangible Net worth	₹ Cr	2.56	2.51
Total Debt/Tangible Net worth	Times	2.79	2.58
Current Ratio	Times	1.05	0.92

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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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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