

IMP Powers Ltd (Revised)

March 06, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	244.23	CARE BB+; Stable [Double B Plus; Outlook: Stable]	Revised from CARE BBB- [Triple B Minus] to CARE D [Single D] and subsequently revised to CARE BB+; Stable [Double B Plus; Outlook: Stable]
Short-term Bank Facilities	93.97	CARE A4+ [A Four Plus]	Revised from CARE A3 [A three] to CARE D [Single D] and subsequently revised to CARE A4+ [A Four Plus]
Total Facilities	338.20 (Rs. Three hundred and thirty eight crore and twenty lakhs only)		

Details of facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The revision in ratings of bank facilities of IMP Powers Limited (IPL) to CARE D factors in past instances of devolvement of LC's/ CC overdrawal.

Furthermore, the revision in rating of bank facilities of IPL from CARE D to CARE BB+; Stable/ CARE A4+, takes into consideration the established track record of the company, revenue visibility on the back of outstanding order book position and reputed clientele.

The rating strengths however are tempered by moderate liquidity profile, leveraged capital structure and debt coverage indicators owing to working capital intensive nature of operations, along with intense competition within the industry.

The ability of the company to increase its scale of operations, maintain profit margins and efficiently manage its working capital requirements are key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Weaknesses

Low profitability: PBILDT margin dipped to 8.99% in FY17 (PY: 9.57%) and PAT margins remained at same level at 0.85% in FY17 as compared to 0.86% in FY16. This was primarily on account of higher interest expense (interest on borrowings and higher commission charges).

Moderate debt coverage indicators: The interest coverage ratios is moderate at 1.45x for FY17 (FY16:1.44x) due to full utilization of working capital facilities.

Working capital intensive nature of operations: Operating cycle though improved from an average of 96 days as at March 31, 2016 to an average of 85 days as at March 31, 2017, continues to be higher. Receivable days are elongated due to the slow realisation of payments particularly from its State Electricity Boards (SEBs) and Public Sector Units (PSUs) clients. Thus, working capital facilities are utilized almost fully (average utilization for last 12 months ended January 2018 is 96%).

Key Rating Strengths

Established track record of operations: IMP Powers Ltd (IPL), with five decades of experience, is in the business of manufacturing of power transformers ranging from 1 MVA to 315 MVA, upto 400 kV class. IPL has about 30,000 installations in India and its products are present in 26 countries. It caters to a wide spectrum of transformer users in a variety of industries such as petrochemicals, automobile, steel, power, railway applications, mining, etc.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Healthy order book leading to revenue visibility: IPL's outstanding order book position exhibited an improvement at Rs. 600 crore in January 31, 2018 as compared to Rs.501.82 crore as on October 01, 2016 (i.e., 1.52x of FY17 total operating income) to be executed over Q4FY18 and FY19.

Reputed Clientele: Domestically, power utilities and power transmission companies are key customers of the company including various State Electricity Boards (SEBs) and Public Sector Units (PSUs).

Exclusive marketing and sales agreement with Smart Hydro Power GmbH Ltd.: IPL has entered into an Exclusive Marketing & Sales agreement with Smart Hydro Power GmbH Ltd. (Germany) to market and sell 5kw kinetic energy turbines in India and other 5 to 6 Asian countries. This arrangement will result into diversification of revenue for IPL.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Incorporated in 1961 and promoted by Mr. Ramnivas R. Dhoot, IMP Powers Ltd. (IPL) is engaged in the manufacturing of an entire range of transformers. The company has its manufacturing facility at Silvassa, for manufacturing of transformers ranging from 1 MVA to 315 MVA, up to 400 kV Class with an installed capacity of 15,000 MVA (Mega Volt-Ampere) as on March 31, 2017 (P.Y: 14,000 MVA).

IPL incorporated a subsidiary company 'IMP Energy Limited' (IEL) in August 2012. IEL is engaged in complete EPC work of small hydro power (SHP) business. The Company sets up small hydro power plants of upto 5 MW capacity and does the entire EPC work. IEL is currently executing 12 projects and out of which 3 projects (Bairas, Sangrah and Chilong of CREDA project) are expected to be commissioned during FY18. Also IEL is L1 in 7 MW of IPP projects in Jammu and Kashmir State.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	360.86	393.87
PBILDT	34.53	35.42
PAT	3.10	3.36
Overall gearing (times)	1.77	1.68
Interest coverage (times)	1.44	1.45

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Hitesh M. Avachat

Tel: 022-67543510

Email: hitesh.avachat@careratings.com

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit

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Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	3.70	CARE BB+;Stable
Non-fund-based - ST-Letter of credit	-	-	-	90.00	CARE A4+
Fund-based - LT-Cash Credit	-	-	-	88.66	CARE BB+;Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	151.87	CARE BB+;Stable
Non-fund-based - ST-Letter of credit	-	-	-	3.97	CARE A4+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	3.70	CARE BB+; Stable	-	1)CARE BBB- (07-Dec-16) 2)CARE BBB- (12-Apr-16)	1)CARE BBB- (10-Aug-15) 2)CARE BBB- (14-Apr-15)	-
2.	Non-fund-based - ST-Letter of credit	ST	90.00	CARE A4+	-	1)CARE A3 (07-Dec-16) 2)CARE A3 (12-Apr-16)	1)CARE A3 (10-Aug-15) 2)CARE A3 (27-Apr-15) 3)CARE A3 (14-Apr-15)	-
3.	Fund-based - LT-Cash Credit	LT	88.66	CARE BB+; Stable	-	1)CARE BBB- (07-Dec-16) 2)CARE BBB- (12-Apr-16)	1)CARE BBB- (10-Aug-15) 2)CARE BBB- (27-Apr-15)	-

							3)CARE BBB-(14-Apr-15)	
4.	Non-fund-based - LT-Bank Guarantees	LT	151.87	CARE BB+; Stable	-	1)CARE BBB-(07-Dec-16) 2)CARE BBB-(12-Apr-16)	1)CARE BBB-(10-Aug-15) 2)CARE BBB-(27-Apr-15) 3)CARE BBB-(14-Apr-15)	-
5.	Non-fund-based - ST-Letter of credit	ST	3.97	CARE A4+	-	1)CARE A3 (07-Dec-16) 2)CARE A3 (12-Apr-16)	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

E-mail: ramesh.bob@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030