

Leena Power-Tech Engineers Private Limited

April 05, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	200.00	CARE BBB; Stable / CARE A3 (Triple B; Outlook: Stable/ A Three)	Revised from CARE BBB+; Negative / CARE A3+ (Triple B Plus; Outlook: Negative / A Three Plus)
Short Term Bank Facilities	25.00	CARE A3 (A Three)	Revised from CARE A3+ (A Three Plus)
Total Bank Facilities	225.00 (Rs. Two Hundred Twenty-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Leena Power-Tech Engineers Private Limited (LPTEPL) takes into account vast deviation in actual versus projections for FY22, stretched receivables position as on March 31, 2021 which is expected to remain as on March 31, 2022 although at improved level and moderation in scale of operations. The rating, further, continues to remain constrained on account of moderate debt coverage indicators, working capital intensive nature of operations and high customer concentration risk. The strengths are derived from long standing experience of promoters, established track record of company in EPC business, comfortable capital structure, established clientele and moderate order book position.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in the scale of operations with a total operating income exceeding Rs.250 crore on a sustained basis
- Improvement in debtors' days to 120 days on sustained basis

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in the capital structure with the overall gearing exceeding 1.5x on a sustained basis
- Any cost and time over run in executing the order book position leading to increased expense and consequently leading to decline in the operating profitability and scale of operation

Detailed description of the key rating drivers

Key Rating Strengths

Long standing experience of promoters and established track record of company in EPC business: Mr. Amit Teckchandani (Managing Director) established LPTEPL in 1995, with interests in serving the electrical engineering space like power transmission, distribution, building electrification and railway electrification. The company's operating performance has been backed by the promoters and management's decade-long experience and expertise in EPC services in building electrification, power distribution infra and railway electrification. These projects have a long cycle and higher susceptibility to encounter roadblocks. However, LPTEPL's rationalised approach in order bidding and the timely resolution of bottlenecks have enabled it to maintain execution timelines and therefore bag repeated orders from its clientele.

Comfortable capital structure and moderate debt coverage indicators: Its capital structure stood comfortable with an overall gearing of 0.62 times as on March 31, 2021 vis-à-vis 0.27 times as on March 31, 2020. Although, the same deteriorated owing to increase in mobilization advance outstanding, unsecured loans from directors, short term loan and working capital borrowings as on balance sheet date.

Established clientele and moderate order book position: LPTEPL has moderate order book position as on December 31, 2021 which provides revenue visibility to the company over the two-year period. Apart from the company's strong presence in Maharashtra where it is one of the leading contractors of CIDCO, LPTEPL has been able to execute projects in other states such as Goa, Jharkhand, Bihar etc. The company deals majorly with the government backed entities which is cash rich and is involved in only those projects where there are backend financial linkages in the form of funding support from organizations like World Bank, Asian Development Bank etc.

Key Rating Weaknesses

Small scale of operations in a fragmented industry: LPTEPL is relatively a small player in the power infrastructure sector which is reflected in its revenue at Rs.139.92 crore in FY21 vis-à-vis Rs.133.07 crore in FY20. The company operates in a highly fragmented domestic EPC business, characterised by intense competition. In 11MFY22, the company achieved a turnover of Rs.86.53.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate debt coverage indicators: LPTEPL's debt coverage indicators have deteriorated with total debt to GCA of 7.55 times as on March 31, 2021 vis-à-vis 2.25 times as on March 31, 2020. The same declined owing to lower GCA level and higher total debt. Further, its PBILDT interest coverage declined to 2.98 times in FY21 vis-à-vis 5.25 times in FY20 due to lower operating margins and higher interest rate during the year.

Working capital cycle intensive nature of operations: EPC is a working capital-intensive business with high receivables and creditors due to retention money withheld and payable to client as per the contract terms. The debtors' profile of the company comprises mainly of State and Central Government backed entities wherein the payments are assured, albeit a bit stretched. Thus, the receivable days of LPEPL would depend on the liquidity of these counterparties, which bears a strong correlation with the fiscal headroom available with the state and central governments. In FY21, the average collection period stretched significantly to 415 days vis-à-vis 340 days in FY20 on account of lockdown measures which resulted in delays in execution of some of the projects and change in scope of work in some. Although, the same has improved as on December 31, 2021. The collection risk continues and will depend on the counterparties' ability to clear the dues in timely manner. This resulted in creditor cycle elevating to 223 days in FY21 vis-à-vis 204 days in FY20. This led to further elongation in operating cycle of 205 days in FY21 vis-à-vis 150 days in FY20.

High customer concentration: LPTEPL has high customer concentration with the top five customers contributing over 60% to revenue in FY21. However, the risk is mitigated due to its strong and long association with these customers. Major customers of LPTEPL are Government companies and entities like CIDCO, Kerala State Electricity Board, South Bihar State Power Holding Co. Ltd, Maharashtra State Electricity Distribution Co. Ltd, Goa Electricity Department, etc. from where it procures orders and some comfort can be drawn from the fact that these companies are Government owned and have backend financial linkage with funding support from global financial institutions like World Bank, Asian Development Bank etc. thereby counter-party risk is mitigated to some extent. There is revenue assurance however, the timings can elongate.

Liquidity: Adequate – The company's liquidity is adequate characterized by sufficient cushion in accruals vis-à-vis nil repayment obligations and free cash and bank balance of Rs.3.00 crore as on February 28, 2022 vis-à-vis Rs.0.32 crore as on March 31, 2021. The liquidity ratios of the company stood moderate with current ratio and quick ratio of 1.58 times and 1.55 times respectively as on March 31, 2021. Further, the average utilization of its fund-based working capital limit stood moderate at around 52.76% during trailing 12 month period ended February, 2022 and the average of maximum utilization of its non-fund based limits stood around 64.94% during last 12 months ended February, 2022. Its unutilized bank lines are adequate to meet its incremental working capital needs over the medium term. The company mainly utilized its non-fund-based limits in the form of BG as it is required to be submit it while bidding for the government backed projects. The company does not have any capex plans in the projected period. Its cash flow from operations stood at negative Rs.41.34 crore in FY21 (vis-à-vis positive of Rs.2.41 crore in FY20) owing to increased receivables during the year.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology- Construction](#)

[Rating Methodology - Service Sector Companies](#)

[Criteria for Short Term Instruments](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Leena Powertech Engineers Private Limited (LPEPL; erstwhile Leena Electricals) was founded by Mr. Amit Teckchandani in the year 1995 as a partnership firm, which was later converted into private limited company in the year 1999. The company is primarily engaged in development of electrical distribution infrastructure. LPEPL is an integrated EPC company specializing in turnkey electrical engineering services like power transmission, distribution, building electrification and railway electrifications.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	11MF22
Total operating income	133.07	139.92	86.53
PBILDT	17.85	16.70	10.91
PAT	10.03	7.48	5.04
Overall gearing (times)	0.27	0.62	0.25
Interest coverage (times)	5.25	2.98	1.99

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	Reclassified from LT	25.00	CARE BBB; Stable / CARE A3
Non-fund-based - ST-BG/LC		-	-	-	25.00	CARE A3
Fund-based/Non-fund-based-LT/ST		-	-	-	175.00	CARE BBB; Stable / CARE A3

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	25.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB+; Negative / CARE A3+ (25-Mar-21) 2)CARE BBB+; Stable / CARE A3+ (07-Apr-20)	1)CARE BBB+; Stable (05-Apr-19)	-
2	Non-fund-based - ST-BG/LC	ST	25.00	CARE A3	-	1)CARE A3+ (25-Mar-21) 2)CARE A3+ (07-Apr-20)	1)CARE A2 (05-Apr-19)	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	175.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB+; Negative / CARE A3+ (25-Mar-21) 2)CARE BBB+; Stable / CARE A3+ (07-Apr-20)	1)CARE BBB+; Stable / CARE A2 (05-Apr-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Non financial covenants	
1. Stock Statements	Stock Statements to be submitted on monthly basis
2. Net worth	Net worth statements attached to personal guarantees should be certified by qualified Chartered Accountant

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based/Non-fund-based-LT/ST	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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