

Capital Electech Private Limited (Revised)

January 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.00 (Reduced from 21.04)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	134.00 (Enhanced from 132.96)	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Capital Electech Pvt Ltd factors in competitive and tender based nature of industry, counterparty credit risk on account of weak credit profile of discoms and execution risk related to projects. The ratings also continue to remain constrained by the working capital-intensive nature of operations primarily due to elongated receivable period and geographical concentrated of order book. However, these rating weaknesses are partially offset by healthy growth in scale of operations and improvement in PBILDT margins during FY24 (refers to the period from April 01, 2023 to March 31, 2024) on account of better execution of orders. Further, the ratings continue to derive strength from the moderate order book position and moderate financial risk profile characterized by moderate overall gearing and debt coverage indicators. The ratings also continue to derive strength from experienced promoters having long track record of operations in the EPC industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income above Rs.250 crores along with sustenance of margins at the current level.
- Diversification of the current order book apart from two states, thus reducing the overall revenue concentration towards them to below 60%.
- Improvement in collection period below 150 days on a sustained basis.

Negative factors

- Decline in total operating income below Rs.180 crores with PBILDT margins below 8% on a sustained basis.
- Significant increase in working capital requirements and resultant weakening of liquidity position.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE's opinion that the company will continue to benefit from long track record of operations in providing turnkey solution for power substations and from experienced promoters and management team.

Detailed description of key rating drivers:

Key weaknesses

Working capital intensive operations

Under substation work, company generally raises purchase orders and pay 10% in advance to its suppliers, while the 90% is paid on delivery of material which is generally completed in around 45 days. While the collection period in electrification work is on milestone basis (60% of the payment is received after 30-60 days of the bill cycle, 30% after erection of the project which usually takes 3-4 months and rest 10% after the entire completion of the project). The operations of the company are working capital intensive considering the nature of industry. Debtor's collection period though improved to 246 days as on March 31, 2024, from 309 days, still remains elongated because of high receivables in more than 6-month period over the Jammu project and due to delay in receiving dues from government entities. Operating cycle days at 132 days during FY24 though improved from 206 days in previous year, however the same is partially supported with steady flow of orders.

Competitive and tender based nature of industry

CEPL being engaged into EPC industry primarily operates on tender based work received from government departments like DVVNL & JPDCL among others. Company's order book and revenues are dependent on successfully bidding and winning the tenders. Owing to high competition in the industry from organized and unorganized players, margins come under pressure and

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

remain volatile. However, the promoters' extensive experience and company's long track record of operations of over 18 years mitigates this said risk to some extent.

Geographical concentrated order book

The order book is concentrated in Uttarakhand (~72%) and J&K (~13%), thus exposing the company to geographical concentration risk and any adverse change in government policy and rules & regulations related to construction activities in these areas may impact company's performance.

Execution risk related to projects.

The construction projects like electrical substation work have inherent risk of delay in execution due to site hand over, weather conditions and issues related to availability of labour etc. which may result in time and cost overrun in the projects. However, the long industry experience of CEPL's promoters of over three decades and the company's track record mitigates these risks to some extent.

Key strengths

Growth in scale of Operations and PBILDT margins during FY24

CEPL has reported healthy growth in scale of operations which grew by ~42% to Rs 200.45 crores in FY24 (Audited) from Rs 141.28 crores in FY23 largely on account of increased orderbook and better execution of orders. The PBILDT and PAT margins also improved from 10.48% and 5.27% in FY23 to 11.57% and 6.47% in FY24 (Audited). The company reported a TOI of Rs 44.85 crores and a PAT of Rs 4.40 crores in H1FY25 (refers to the period from April 01, 2024, to September 30, 2024).

Moderate Order Book Position

The company has moderate unexecuted order book position of Rs. 455 crores as on December 24, 2024, which is 2.26 times of the total operating income reported during FY24 providing medium term revenue visibility. The execution time of any given project is between 15 to 18 months. The order book mainly consists of construction/improvement/strengthening of substation work.

Moderate Financial Risk Profile

The financial risk profile of the company stands moderate characterised by overall gearing of 0.31x as on March 31, 2024, (PY:0.32x) comprising of unsecured loan from promoters, CC limits and mobilisation advances from bank and customers required for projects execution on account of stretched debtors' collection period. The interest coverage ratio and total debt/GCA improved and stood at 3.72x (PY: 2.96x) and 2.94x (PY: 3.95x) respectively in FY24.

Experienced promoters with long track record of operations

CEPL's operations are being managed by Mr. Vikas Sharma, Chairman and Managing Director of the company and his brother Mr. Sachin Sharma, who looks after the finance of the company. The promoters of the company have experience of over three decades in the EPC industry.

Liquidity: Adequate

The liquidity profile of the company is adequate with expected gross cash accruals (GCA) of ~Rs. 16.00 crores in FY25 against nominal debt repayment obligations of Rs. 0.95 crores. This is further aided by free cash and bank balance of Rs.15.94 crores as on January 06, 2025. Further, average CC limits utilization remains low at around 10% for the past 12 months ending December 31, 2024. The company is not planning to incur any major capex in the near to medium term.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Capital Electech Private Limited (CEPL) was incorporated in the year 2005 by Mr. O.P. Sharma and is primarily engaged in construction sector undertaking projects of turnkey electrical works specialized in constructing of 33/11 KV, 66/33 KV & 132/33 KV Substations, Internal/External electrification work, Erection, Testing & Commissioning of the Transformers, HT/LT Panels, Bus Ducts and Rising mains, Underground Trench less line, Overhead transmission lines and building automation system.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	141.28	200.45	44.85
PBILDT	14.80	23.19	NA
PAT	7.45	12.98	4.40
Overall gearing (times)	0.32	0.31	0.30
Interest coverage (times)	2.96	3.72	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Brickwork has downgraded the ratings assigned to the bank facilities of CEPL under Issuer not cooperating (INC) category vide its press release dated April 04,2024, on account of its inability to carry out review in the absence of requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2026	1.00	CARE BB+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	15.00	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	134.00	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	15.00	CARE BB+; Stable	1)CARE BB+; Stable (18-Sep-24)	1)CARE BB; Stable (21-Sep-23)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
					2)CARE BB; Stable (03-Apr-24)			
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	134.00	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (18-Sep-24) 2)CARE BB; Stable / CARE A4+ (03-Apr-24)	1)CARE BB; Stable / CARE A4+ (21-Sep-23)	-	-
3	Fund-based - LT-Term Loan	LT	1.00	CARE BB+; Stable	1)CARE BB+; Stable (18-Sep-24) 2)CARE BB; Stable (03-Apr-24)	1)CARE BB; Stable (21-Sep-23)	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

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

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About us:

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