

Elektrolites Power Private Limited

February 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	9.50	CARE BB+; Stable / CARE A4+	Reaffirmed
Short Term Bank Facilities	23.50	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Elektrolites Power Private Limited (EPPL) continue to remain constrained on account its modest scale of operations with low revenue visibility, presence in a highly competitive and fragmented industry and vulnerability of margins to fluctuating raw material prices with stretched liquidity also offset ratings.

The ratings, however, favourably take into account experience of its promoters with long track record of operations in the industry, its established client base and diversified product profile, and recognised in-house research and development (R&D) facility. Ratings also derive strength from EPPL's moderate capital structure and coverage indicators, although with limited net worth base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations above ₹70 crore on a sustained basis with sustained operating margin
- Improvement in overall liquidity profile with operating cycle less than 180 days on a sustained basis.
- Improvement in PBILDT interest coverage above 2.50x on sustained basis

Negative factors

- Declining scale of operations below ₹30 crore and/or PBILDT margin below 5% on a sustained basis
- Declining capital structure, marked by overall gearing more than 0.80x
- Any further moderation in liquidity profile from present levels impacting the debt coverage indicators and cushion in unutilised limit

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') view that EPPL is likely to maintain its stable scale of operations, supported by its diversified product profile and established client base, with its capital structure sustaining.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations and profitability

In FY24, EPPL's total operating income (TOI) continued to stand moderate at ₹31.75 crore (₹33.92 crore in FY23). This apart, the company has booked non-operating income of ₹1.45 crore in FY23 (₹4.38 crore in FY23), pertaining to interest on delayed payments from Ajmer Vidyut Vitran Nigam Limited (AVVNL). The profitability of the company remained moderate marked by PBILDT margin recouped to its earlier levels at 7.11% during FY24 vis-à-vis losses reported at operating level during FY23, which was mainly due to increasing prices of key raw materials (i.e. steel, copper, and aluminium, among others) during the year with an increase in manufacturing expenses that EPPL could not pass entirely. The recovery of operating margin during FY24 to its earlier levels was on back of moderation in raw material prices along with company's focus on high margin smart-grid products

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

with better margins having less competition in this segment. The PAT margin of the company stood moderate at 4.36% in FY24 (5.34% in FY23).

Further in 9MFY25, the company reported sales of ₹38 crore vis-à-vis sales of ₹20 crore booked till February 10, 2024. In line with this, CARE Ratings expects EPPL's scale to reach about ₹50 crore with some improvement in PBILDT margin vis-à-vis previous year on account of its continued focus on high margin smart-grid products.

Limited order book

As on December 31, 2024 EPPL had a ₹52-crore-worth order book (45% of which are for smart grid products), translating to 1.64x of the TOI in FY24. The order book is to be executed in six to seven months, translating to near-term revenue visibility. Also, EPPL has an established client base, mainly comprising state power utilities (SPUs) and reputed private parties, from whom it receives regular orders.

Stiff competition due to fragmented industry with several unorganised players

The electrical equipment industry, in which the company operates, is highly fragmented and competitive with several domestic players. High fragmentation restricts the pricing flexibility and bargaining power of players, further intensified by the tender-based industry, overall restricting profit margins of players. However, with government bodies as primary product end-users, pre-qualification with entities such as SPUs act as an industry entry barrier to an extent. EPPL is a pre-qualified vendor with SPUs, thus providing credibility to its products.

Key strengths

Experienced management in electrical equipment industry

Anil Kumar Saboo, Managing Director, manages the company's overall affairs. He is an engineering graduate by qualification, with about 35 years of industry experience. Saboo also served as the President of the Indian Electrical & Electronics Manufacturers Association (IEEMA) and Chairman of Confederation of Indian Industry (CII), Rajasthan. The company also has a team of qualified technical personnel to support the management. With their longstanding industry presence, promoters have established good clientele base in the industry.

Established operational track record with established client base

Incorporated in 1994, EPPL has an industry track record of more than two decades, having established relationships with customers and suppliers. It has long business associations with SPUs of Rajasthan, Uttar Pradesh, Delhi, Gujarat, Chhattisgarh, Madhya Pradesh, Punjab, Odisha, and Maharashtra.

EPPL supplies products to leading public sector undertakings (PSUs) such as National Thermal Power Corporation Limited, Power Grid Corporation of India Limited (PGCIL), and Bharat Heavy Electricals Limited (BHEL). It also sells to well-known private organisations such as Larsen & Toubro Limited, Siemens Limited, and ABB India Limited, among others. The company also exports to African and South-East Asian countries.

Further in FY24, top five customers of EPPL contributed significantly to around 93% of its net sales with Larsen & Toubro Limited being highest contributor of around 47% with majority smart-grid orders executed during the year. However, the established long term relationship with its customers leading to repeat business over the years which mitigates the customer concentration risk to some extent.

Diversified product profile

The company offers diversified products in the electrical equipment industry. Its products include a variety of semiautomatic and fully-automatic electrical equipment, disconnectors or air-break switches, surge arresters, load break switches, and VCB sectionalisers or reclosers. EPPL in last two years has introduced smart-grid products such as 400 kv isolators and lightning arrestors (LA), auto reclosers, and fault passage indicators (FPI), Transmission Line Arrestor (TLA) among others. These smart grid products are mainly Printed Circuit Board (PCB) or plastic based and have good margins due to relatively few players in this segment. EPPL has also tied-up with foreign entities for introducing new products.

In-house testing facility and recognised in-house R&D facility

The company is undertaking regular capex for enhancing its R&D facility and enhancing product quality. It has advanced in-house testing equipment for product factors manufactured such as high voltage test, mechanical endurance test, temperature rise test, circuit breaker timing analysis, lightning impulse test, reference voltage test, residual voltage test, partial discharge test, accelerated test, and test on auxiliary circuit. EPPL is also actively working on R&D for galvanised switches and automated switched gears with smart equipment. Company has undertaken total capex of around ₹2.75 crore in FY23 & FY24 and further

for ₹1.10 crore in current year till December 31, 2024 for manpower enrichment and for Research & Development (R&D), testing initiatives and for development of Smart Grid products and as articulated by management, company will continue to undertake R&D to develop its product range and clientele base going forward.

Moderate capital structure and debt coverage indicators, although with limited net worth base

The company's capital structure is moderate, marked by an overall gearing of 0.41x as on March 31, 2024 (0.42x as on March 31, 2023). However, the company's net worth base remained limited at ₹32.28 crore as on March 31, 2024.

Further, with no major term debt to be availed by the company, CARE Ratings expects EPPL's overall gearing to be moderate at below 0.50x over medium term.

Liquidity: Stretched

The company's liquidity remained stretched in FY24, with a continuous elongating operating cycle of 297 days in FY24, owing to a sizeable inventory-holding and collection period. The level of debtors on an average is high, mainly due to delayed payments from government department and private customers.

EPPL utilised an average of 70% of its fund-based limits and about 50%-60% of its non-fund-based limit in the last 12 months ended December, 2024. With no major term debt to be availed over medium term, its repayment obligations are expected to be comfortably met out of its cash accruals. Also, company reported positive cash flow from operations of ₹0.82 crore at FY24 end.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Cables - Electricals

Jaipur (Rajasthan)-based EPPL was earlier formed as a partnership concern with the business of trading in power station equipment in 1966. Over the years, it expanded its business by expanding its product range. It changed its constitution to private limited company in 1994. EPPL is currently promoted by Anil Kumar Saboo and his family members. The company is engaged in manufacturing and assembling, designing and testing electrical items such as isolators, disconnectors or air-break switches, surge arresters, load break switches, VCB sectionalisers, other transmission line hardware. It has recently introduced smart-grid products such as 400 kv isolators and lightening arrestors (LA), auto reclosers, and fault passage indicators (FPI), among others EPPL has a total of four windmills with an installed capacity of 2.40 MW in Rajasthan, with power purchase power agreements (PPAs) with respective SPUs.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	33.92	31.75	37.78
PBILDT	-0.26	2.26	NA
PAT	1.81	1.39	NA
Overall gearing (times)	0.42	0.41	NA
Interest coverage (times)	NM	1.85	NA

A: Audited Prov.: Provisional NM: Not Meaningful NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork downgraded the ratings at 'B+'; Stable/Brickwork A4, Issuer not cooperating' basis best available information (vide press release dated October 08, 2024)

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/ ST-Bank Overdraft		-	-	-	9.50	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Bank Guarantee		-	-	-	12.00	CARE A4+
Non-fund-based - ST-Letter of credit		-	-	-	11.50	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	Non-fund-based - ST-Bank Guarantee	ST	12.00	CARE A4+	-	1)CARE A4+ (22-Feb-24)	1)CARE A4+ (08-Mar-23)	1)CARE A4+ (15-Feb-22)
2	Non-fund-based - ST-Letter of credit	ST	11.50	CARE A4+	-	1)CARE A4+ (22-Feb-24)	1)CARE A4+ (08-Mar-23)	1)CARE A4+ (15-Feb-22)
3	Fund-based - LT/ ST-Bank Overdraft	LT/ST	9.50	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (22-Feb-24)	1)CARE BB+; Stable / CARE A4+ (08-Mar-23)	1)CARE BB+; Stable / CARE A4+ (15-Feb-22)
4	Fund-based - LT-Working capital Term Loan	LT	-	-	-	1)Withdrawn (22-Feb-24)	1)CARE BB+; Stable (08-Mar-23)	1)CARE BB+; Stable (15-Feb-22)

LT: Long term; ST: Short 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/ ST-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	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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