Manchukonda Prakasham Industries India Private Limited

February 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	15.78 (Enhanced from 7.44)	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	33.00 (Reduced from 34.00)	CARE A-; Stable / CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Manchukonda Prakasham Industries India Private Limited (Manchukonda) continue to derive strength from its long-established market position in manufacturing pre-stressed cement concrete (PSCC) poles. Ratings also derive strength from stable scale of operations and profitability, comfortable leverage position with healthy net worth base of ~₹214 crore against minimal bank debt, and strong liquidity with an unencumbered liquid investment of ~₹83 crore in the form of mutual fund deposits. Manchukonda has been maintaining strong liquidity and does not have major debt-funded capex plans in near-to-medium term, providing strong financial flexibility to the company. However, rating strengths are partially offset by elongated working capital cycle, product concentration risk, and exposure to weak discoms.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Strengthening of business profile with significant increase in revenue and profitability margins improving above 13%, on a sustained basis.

Negative factors

- Continuation of slow sales growth and any further fall in profitability margins from existing levels.
- Significant deteriorating in company's liquidity position.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that Manchukonda will continue to benefit from its long track record of business and established clientele while maintaining a healthy financial risk profile.

Detailed description of key rating drivers:

Key strengths

Established track record of operations and experienced promoters

Manchukonda was established in 2008 as a private limited company, succeeding the partnership firm, Manchukonda Prakasham & Co. The original firm, Manchukonda Prakasham & Co., was engaged in executing contracts for laying electrical lines and substations, cable works, civil & building works, and manufacturing PSCC poles since 1995. Following the takeover, Manchukonda has exclusively focused on manufacturing PSCC poles. Manchukonda Prakasham, the Founder and Managing Director, and other family, serves as shareholders and promoters. He received the 'Pearls of Andhra Pradesh' award as the First Best SSI Entrepreneur for 'Par Excellence' from the Chief Minister of the Government of Andhra Pradesh for 2003-2004. His sons, Ravikumar, Surender, Varun, and Arun, joined the company in key roles. The promoters are supported by qualified and experienced personnel in key functional areas.

Stable scale of operations and profitability

Manchukonda's operating income increased to ₹210 crore in FY24 (PY: ₹134 crore) given highly fragmented industry with around 500 small entities operating in the PSCC poles manufacturing segment. Therefore, despite being one of the major and oldest players, the revenue share of Manchukonda remains moderate. The profitability margins of the company also increased to 12.13% in FY24 compared to 7.48% in FY23, its profitability has been on an improving trend in the last three years and has remained

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

stable at 12.48% in 7MFY25. The profitability is also subject to key raw material price volatility, steel and cement. Owing to high competition and limited bargaining power with marquee clients, the company can only pass on changes in input cost to some extent. The company has price escalation clause in government contacts.

Comfortable capital structure

The capital structure of the company continues to remain comfortable, characterised by an overall gearing ratio of 0.04x as on March 31, 2024, and minimal debt and healthy cash balances. The company relies on internal accruals and its liquid cash balance to meet its working capital needs. Coverage indicators remained satisfactory, with the total debt to gross cash accruals (GCA) at 0.30x, compared to 0.75x in FY23 and profit before interest, lease rentals, depreciation, and taxation (PBILDT) interest coverage ratio of 24.81x in FY24.

Satisfactory orderbook position, reputed clientele

As on October 31, 2024, the company's order book stands at ₹250.46 crore, compared to ₹88.53 crore as on December 31, 2023. This growth is attributed to a surge in orders from renowned corporate entities, including Montecarlo Limited, Shirdi Sai Electricals Limited, and NCC Limited (rated 'CARE AA-: Stable/CARE A1+'), particularly in Uttar Pradesh, where electrification projects are growing at good pace.

Robust in-house manufacturing facilities

The company has manufacturing capacity of 1.83 million poles, being one of the biggest manufacturers of PSCC poles in South Asia. It has its plants in five major states of India, Telangana, Andhra Pradesh, Maharashtra, Madhya Pradesh, and Uttar Pradesh. These plants cater to rural electrification demands by state governments and corporate customers in India. Given the logistic fleet of 124 vehicles as on October 31, 2024, the company is easily able to cater its business to the adjoining states along with the mentioned ones. Besides, the new unit at Srikalahasti, Andhra Pradesh, having an installed capacity of 151,200 p.a., has become operational in November 2024, increasing the total manufacturing capacity of the company to 1.83 million poles per annum.

Key weaknesses

Elongated working capital cycle

The company procures raw materials such as cement and steel on a cash basis for better pricing and maintains a 2–3 month stock for uninterrupted production. It extends a two-month credit period to public sector customers, while private suppliers are backed by letters of credit.

The operating cycle improved from 176 days in FY23 to 128 days in FY24 due to faster collections and reduced inventory days, driven by higher corporate and retail sales. However, in the first seven months of FY25, the cycle increased to 171 days due to election-related slowdowns. Improvement is expected in the second half as government bill payments are cleared and deliveries resume.

Product concentration risk

The company primarily generates its entire revenue from the sale of PSCC poles, with its product portfolio exclusively focused on utility poles for the power segment. These poles play a crucial role in transmitting power by providing support to wires that carry electricity. Manchukonda holds a strong market position in the domestic PSCC industry. However, since the company's product portfolio is limited to PSCC poles, adverse market conditions or change in infrastructure policy like underground electrical infrastructure could potentially impact the company's sales.

Exposure to weak discoms

The key customers of the company include TGSPDCL (Southern Power Distribution Company of Telangana Limited) of and APSPDCL (Southern Power Distribution Company of A.P Limited). In the past, minor amounts of bad debt was written-off in relation to supply to one of the discoms. However, in comparison with significant volume of business undertaken the amount written-off is lower. The company ensures to receive a letter of extension before starting delivery to avoid late payment charges.

Liquidity: Strong

Liquidity is supported by nil working capital utilisation and a low term debt repayment obligation of ₹5.73 crore in FY25, supported by a healthy GCA of ₹25.72 crore. The company holds bank guarantees with a utilisation rate of ~67% as on October 31, 2024. Moreover, the company possesses mutual funds amounting to ₹82.86 crore as on October 31, 2024, providing a substantial reserve that can be drawn upon for business needs.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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	Electrical equipment	Heavy electrical

Incorporated in 2008, Manchukonda is engaged in manufacturing PSCC poles. It operates five manufacturing facilities spread across Telangana, Andhra Pradesh, Maharashtra, Uttar Pradesh, and Madhya Pradesh, with the Telangana facility being the largest manufacturing facility with a production capacity of 1 million poles per annum. The total capacity of all five plants is 1.83 million poles per annum.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (UA)
Total operating income	133.94	209.78	116.18
PBILDT	10.02	25.45	14.50
PAT	4.97	20.39	9.75
Overall gearing (times)	0.04	0.04	0.07
Interest coverage (times)	9.75	24.81	18.35

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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-Cash Credit		-	-	-	1.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	March 31, 2027	14.78	CARE A-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	33.00	CARE A-; Stable / CARE A2+

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-Cash Credit	LT	1.00	CARE A-; Stable	-	1)CARE A-; Stable (30-Jan-24)	1)CARE A-; Stable (05-Jan-23)	1)CARE A-; Stable (03-Jan-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	33.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (30-Jan-24)	1)CARE A-; Stable / CARE A2+ (05-Jan-23)	1)CARE A-; Stable / CARE A2+ (03-Jan-22)
3	Fund-based - LT-Term Loan	LT	14.78	CARE A-; Stable	-	1)CARE A-; Stable (30-Jan-24)	1)CARE A-; Stable (05-Jan-23)	1)CARE A-; Stable (03-Jan-22)

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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.

Contact us

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About us:
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