

Enrich Energy Private Limited

January 31, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	46.39 (Enhanced from 42.91)	CARE BB+; Positive (Double B Plus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	102.00 (Enhanced from 73.00)	CARE A4+ (A Four Plus)	Revised from CARE A4 (A Four)
Total Facilities	148.39 (Rs. One Hundred Forty- Eight Crore and Thirty-Nine Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Revision in the short-term rating assigned to the bank facilities of Enrich Energy Private Limited factors in improvement in liquidity position of the company.

The ratings continue to be constrained by its moderate scale of operation, modest order book position, leveraged capital structure, moderate debt coverage indicators and working capital cycle intensive nature of operation.

The ratings continue to derive strength from resourceful and experienced promoters with qualified second level management, healthy profit margins and adequate liquidity position.

Outlook: Positive

Revision in outlook to 'Positive' is with expectation of growth in scale of operation as envisaged along with timely execution of orders and recovery of debtors. The outlook may be revised to 'Stable' if group is unable to scale up its operation and execute the orders as envisaged coupled with further stretching of its working capital cycle leading to deterioration in its liquidity position.

Key Rating Sensitivities

Positive Factors

- Increase in total operating income to Rs. 300 crore on a sustained basis
- Improvement in order book position to more than Rs.300 crore along with timely execution of the orders in hand
- Improvement in gross current assets days to less than 200 days on a sustained basis

Negative Factors

- Decline in PBILDT margin below 10% on a sustained basis
- Deterioration in capital structure with overall gearing more than 2.50x and interest coverage ratio below 1.3x on a sustained basis

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest orderbook position

Group has modest orderbook position of Rs. 225.48 crore as on November 30, 2021 (vis-à-vis order book position of Rs. 142 crore as on October 31, 2020) out of which Rs. 176.45 crore will be executed by March 31, 2021. Further the group is bidding for major orders of Rs. 1012.50 crore.

Moderate Scale of operations

Total operating income (TOI) of the group declined significantly to Rs.100.48 crore in FY21 from Rs. 312.04 crore in FY20 as group has executed fewer number of projects due to covid-19 outbreak. Further, during in 9MFY22, group has achieved total operating income of Rs. 93 crore however group has past record to execute 80-90% projects in Q4.

Leveraged capital structure and moderate debt protection metrics

Enrich group has leveraged capital structure with overall gearing of 1.61x (1.90x) as on March 31, 2021 (as on March 31, 2020). On account of moderately leveraged capital structure, the debt coverage indicators are moderate with PBILDT interest coverage of 1.56x (1.54x) in FY21 (FY20) and total debt to gross cash accrual of 11.50x (12.78x) in FY21 (FY20).

Working capital intensive operations

The group's working capital cycle elongated to 124 days in FY21 vis-à-vis 36 days in FY20 mainly on account of stretch in debtors' period on account of decline in sales due to covid-19 pandemic. Company has long working capital cycle due to release

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

of retention money post 15-18 months of commissioning of project after completion of performance guarantee test and provisional acceptance stage. Furthermore, margin money requirements for releasing retention money also increases the working capital requirements. Group usually has large collection cycle of about 200-250 days which elongated further in FY21. Long collection cycle is supported by creditor cycle which also elongated to 237 days in FY21 vis-à-vis 120 days in FY20.

Key Rating Strengths

Resourceful and experienced promoters with qualified second tier management

Enrich Energy Private Limited (EEPL), incorporated in July 2010 is promoted by Mr. Vijay Zavar (who is the chief promoter of Pune based Zavar Group and is the Chairman of Enrich Energy Private Limited), who is having nearly three decades of experience in the field of manufacturing, renewable energy, infrastructure and overseas mining. He is accompanied by technocrats Mr. Ankit Kanchal, Managing Director (MD) and Chief Executive Officer (CEO), Mr. Dharmesh Tanti and Mr. Kaushik Tanti who are directors of the company who have experience of over a decade in wind power and solar power industry. The company is an ISO 9001:2008 certified company and undertakes all the activities involved in the construction of a solar power plant, from project engineering and design to commissioning of the project. Enrich Solar Services Private Limited (ESSPL) executes the operations and maintenance contracts of the solar power projects and hence is an extension of EEPL.

Healthy profit margins

Management collaborates with its suppliers with regards to the pricing of the parts before entering the tender process of the projects or in case of private counterparties during the negotiation stage; thus, helping the management to undertake orders providing reasonable returns. Accordingly, the company has been able to maintain healthy operating profit margins. PBILDT margin of the company improved to 25.09% in FY21 vis-à-vis 9.01% in FY20 on account of decline in cost of material consumed (27% in FY21 vis-à-vis 69% in FY20) as service portion of ongoing contracts was executed wherein use of material was less. Further along with improvement in the PBILDT margins, PAT margins also improved to 1.07% in FY21 vis-à-vis 0.49% in FY20.

Liquidity analysis: Adequate

The liquidity position remained adequate characterized by sufficient cushion in accruals vis-à-vis its repayment obligations in FY22. Further group has repaid entire working capital term loan of Rs. 25 crore in February 2021. Group had moderate unencumbered cash and bank balances of Rs.3.05 crore as on March 31, 2021 and Rs. 5.35 crore as on December 27, 2021. The average cash credit utilization of fund-based limits of Rs. 9 crore remained at 42% and maximum utilization remained at 88% over the past 12 months ending December 2021. Further group has average unutilized cash credit limit of Rs. 8.10 crore as on December 27, 2021. However, no debt funded capex is being planned by the company in the near term. The company had availed moratorium as per Covid-19 Regulatory Package announced by RBI.

Analytical approach: Combined

CARE has considered a combined view of the operations and financials of Enrich Energy Private Limited and Enrich Solar Services Private Limited, hereinafter called as Enrich Group as both the entities are governed by significant ownership & control by a common promoter/promoter family deriving operational synergies.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Solar Power Projects](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology: Construction Sector](#)

About the Company

Enrich Energy Private Limited (EEPL) was incorporated in July, 2010 and is promoted by Mr. Vijay Zavar (promoter of Pune based Zavar group) as Chairman and technocrats Mr. Ankit Kanchal (MD and CEO), Mr. Dharmesh Tanti and Mr. Kaushik Tanti as Directors. The company commenced commercial operations from FY13. The company undertakes Turnkey or Engineering Procurement Construction (EPC) basis contracts for its customers. Enrich Solar Services Private Limited (ESSPL) was incorporated in April, 2013 and is engaged in providing services of feasibility assessment, energy audit, operations, maintenance, repairs and supply of equipment, spares, consumables, etc.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-12-2021 (Prov.)
Total operating income	312.04	100.48	93.00
PBILDT	28.11	25.21	NA
PAT	1.54	1.08	NA
Overall gearing (times)	1.90	1.61	NA
Interest coverage (times)	1.54	1.56	NA

Combined financials

A: Audited, Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (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 - LT-Cash Credit		-	-	-	9.00	CARE BB+; Positive
Non-fund-based - ST-BG/LC		-	-	-	102.00	CARE A4+
Term Loan-Long Term		-	-	July 2032	37.39	CARE BB+; Positive

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 - LT-Cash Credit	LT	9.00	CARE BB+; Positive	-	1)CARE BB+; Stable (01-Dec-20) 2)CARE BBB-; Negative (03-Apr-20)	-	1)CARE BBB-; Stable (11-Mar-19)
2	Non-fund-based - ST-BG/LC	ST	102.00	CARE A4+	-	1)CARE A4 (01-Dec-20) 2)CARE A3 (03-Apr-20)	-	1)CARE A3 (11-Mar-19)
3	Term Loan-Long Term	LT	37.39	CARE BB+; Positive	-	1)CARE BB+; Stable (01-Dec-20) 2)CARE BBB-; Negative (03-Apr-20)	-	1)CARE BBB-; Stable (11-Mar-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not available

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Term Loan-Long Term	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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