

August 25, 2022

## Yamuna Power & Infrastructure Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based	15.00	15.00	[ICRA]BB+(Stable); reaffirmed
Short-term non-fund based	21.44	21.16	[ICRA]A4+; reaffirmed
Long-term/Short-term - Unallocated Limits	4.00	4.28	[ICRA]BB+(Stable)/[ICRA]A4+; reaffirmed
<b>Total</b>	<b>40.44</b>	<b>40.44</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA has taken a consolidated view of Yamuna Power & Infrastructure Limited (YPIL) and its Group company, Yamuna Cable Accessories Private Limited (YCAPL), given the common management and operational linkages between the companies.

The ratings reaffirmation factors in the extensive experience of the promoters and the established track record of the Yamuna Group in manufacturing and trading of power transmission equipment. The ratings also take comfort from the Group's comfortable capital structure and healthy net worth position. Its operating income improved to Rs. 90.33 crore (year-on-year growth of 3%) in FY2022 from Rs. 87.65 crore in FY2021. However, the operating margin declined to 7.76% in FY2022 from 10.43% in FY2021. However, the Group has been reporting stable cash flows as well as the return on capital employed over the past few years. The Group expects a healthy growth in revenues in FY2023 on account of better order book position. The Group's ability to grow its business while maintaining a healthy liquidity would be a key rating sensitivity, going forward.

However, the ratings continue to be constrained by the Group's modest scale of operations, which constrains its ability to benefit from the economies of scale and weighs on its competitive position vis-à-vis the large-sized Groups. The ratings are also constrained by the Group's elongated receivable days due to slow recovery of payments from Government entities. ICRA also notes the vulnerability of the profitability to the risk of adverse fluctuations in key raw material prices. ICRA further considers the stiff competition in the power transmission equipment sector that results in aggressive pricing by players.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that the Group will continue to benefit from its established position and long track record in the power transmission equipment manufacturing and trading business.

### Key rating drivers and their description

#### Credit strengths

**Experienced promoters with established track record in power transmission equipment industry** – The Group, its promoters and their family members, have been involved in manufacturing and trading of power transmission equipment (like composite polymeric insulators, vacuum circuit breaker, cable jointing kits and accessories) business for more than four decades. The management comprises independent professionals with several years of experience in the relevant industry. Also, in 2001, the Group diversified into the business of installation of sub-stations, erection of transmission lines and cable laying. The Group's established track record helps it maintain good relationship with the stakeholders across the value chain.

**Comfortable capital structure and stable returns on capital employed** – The Yamuna Group's capital structure remained comfortable with a gearing of 0.30 times as on March 31, 2022. The comfortable capital structure was primarily supported by

a healthy tangible net worth of Rs. 87.42 crore as on March 31, 2022. The Group operates mainly on working capital (WC) bank facilities and non-fund based facilities (that is, the letter of credit and bank guarantee). The return on capital employed has also been relatively stable in the range of 7-9% in the past few years.

### Credit challenges

**Modest scale of operations** – The Yamuna Group is a medium-sized manufacturer and trader of power transmission equipment like composite polymeric insulators, vacuum circuit breaker (VCB), cable jointing kits and accessories. The Group reported an OI of ~Rs. 90 crore (provisional) in FY2022. Its existing scale of operations remains smaller than the big-sized players in the power transmission equipment manufacturing industry. This constrains its ability to benefit from the economies of scale and weighs on its competitive position vis-à-vis the large-sized Groups. Further, a modest scale exposes the Group to the risk of business downturn and its ability to absorb a temporary disruption and leverage fixed costs.

**Elongated receivable cycle due to slow payment realisation from state discoms** – The receivable days of the Group remained high due to delay in payments from the state electricity board. State power distribution utilities have longer payment periods due to varying inspection, approval timelines and moderate financial health. The net working capital intensity improved to 33% in FY2022 from 38% in FY2020 owing to improved receivables position.

**Susceptible to variation in raw material prices** – The margins of the Group are largely affected by raw material price fluctuations, which in turn impact sales realisations. The cost of procurement of key raw material accounts for ~50-60% of the net sales. Further, in the absence of price variation clauses in the contracts, the Group remains sensitive to variation in raw material prices.

**Intense competition in the industry** – The Group faces stiff competition in the fragmented power transmission equipment manufacturing and trading industry, which limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins.

### Liquidity position: Adequate

The Group's liquidity position is **adequate**. It has free cash and bank balance of ~Rs. 23 crore as on March 31, 2022. Further, the Group has cushion available in the form of undrawn working capital limits. ICRA does not foresee any major concerns over the liquidity, given the absence of major capacity expansion plans. However, a significant stretch in the working capital cycle may exert pressure on the liquidity position.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the long-term rating if the Group demonstrates a healthy and sustained increase in its scale and profitability, with improvement in the working capital intensity. Specific credit metrics that could lead to an upgrade of rating include RoCE above 13% on a sustained basis.

**Negative factors** – A decline in the OI or the operating profitability could exert pressure on the rating. Any deterioration in the interest coverage metrics below 2.5 times on a sustained basis could lead to a rating downgrade. A stretch in the working capital cycle could also exert pressure on the rating.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	None

<b>Consolidation/Standalone</b>	ICRA has considered the consolidated financials of YPIL and YCAPL owing to common management and linkages between these two entities.
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## About the company

YPIL was set up in 1973 by Mr. Shyam Sunder Sadana. It undertakes manufacturing and trading of power transmission equipment like composite polymeric insulators, VCBs, cable jointing kits (which are manufactured by its Group company, Yamuna Cable Accessories Private Limited [YCAPL]; a part of the export orders of YCAPL are routed through YPIL) and accessories, which are sold under the brand name, Yamuna Densons. The company was earlier named Yamuna Gases and Chemicals Limited. However, in 2007, its name was changed to the current one. The company's plants are located in Yamuna Nagar (Haryana), Halol (Gujarat) and Kolkata (West Bengal).

YCAPL, formerly known as Bhatuloi Reinforce Pvt Ltd was incorporated in 1996 by Mr. Shyam Sunder Sardana. The company is in the business of manufacturing cable jointing kits and accessories for power cables up to 66 KV and telecom cables. Its manufacturing facilities are at Yamuna Nagar in Haryana and it sells products under the brand name of Yamuna Densons.

## Key financial indicators

Group	FY2021(A)	FY2022(Prov)
Operating Income (Rs. crore)	87.65	90.33
PAT (Rs. crore)	4.84	3.69
OPBDIT/OI (%)	10.43%	7.76%
PAT/OI (%)	5.52%	4.09%
Total Outside Liabilities/Tangible Net Worth (times)	0.62	0.59
Total Debt/OPBDIT (times)	2.59	3.71
Interest Coverage (times)	5.68	6.81

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; A-Audited, P-Provisional

## Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

## Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
				August 25, 2022				
1 Long term fund based	Long-term	15.0	-	[ICRA] BB+(Stable)	[ICRA]BB+(Stable)	-	[ICRA]BB+(Stable)	
2 Fund based - term loans	Long term	0.0	-	-	-	-	[ICRA]BB+(Stable)	
3 Short term non	Short term	21.16		[ICRA]A4+	[ICRA]A4+	-	[ICRA]A4+	

	fund based						
<b>4</b>	Long term/Short term unallocated limits	Long term/short term	4.28		[ICRA]BB+(Stable)/[ICRA] <b>A4+</b>	[ICRA]BB+(Stable)/[ICRA] <b>A4+</b>	- [ICRA]BB+(Stable)/[ICRA] <b>A4+</b>

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund based	Simple
Short term non fund based	Very Simple
Long term/Short term unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term fund based	-	-	-	15.0	[ICRA]BB+(Stable)
NA	Short term non fund based	-	-	-	21.16	[ICRA]A4+
NA	Long term/Short term unallocated limits	-	-	-	4.28	[ICRA]BB+(Stable)/[ICRA]A4+

Source: Company

### Annexure-2: List of entities considered for consolidated analysis

Company Name	YPIL Ownership	Consolidation Approach
Yamuna Cable Accessories Private Limited	-	Full Consolidation

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