

September 25, 2023

Neptunus Power Plant Services Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term/Short term- Fund based - Cash credit	10.00	-	-
Long term/Short term- Fund based – Overdraft facilities	-	2.90	[ICRA]BBB+ (Stable)/ [ICRA]A2+; reaffirmed
Short term- Fund based- Standby limit	2.00	-	-
Short term- Non fund based- Others	5.00	0.50	[ICRA]A2+; reaffirmed
Short term- Interchangeable Limits- Others	(10.00) **	-	-
Unallocated amount	9.00	-	-
Total	26.00	3.40	

*Instrument details are provided in Annexure-1; **- interchangeable sub-limit within the fund-based limit

Rationale

The rating reaffirmation factors in the technical expertise and established track record of Neptunus Power Plant Services Private Limited (NPPSPL) in providing engine management services in marine and oil and gas segments. The ratings favourably consider the company's tie-ups with reputed engine manufacturers, such as IHI Power Systems Co Ltd. and Electro-Motive Diesel Inc, as the sole distributor of their engines and spare parts in India.

The ratings continue to derive comfort from the company's strong financial profile, reflected in its comfortable capital structure owing to the low reliance on external debt and consequently its healthy debt protection metrics. ICRA takes note of the company's robust liquidity position with cash and cash equivalents of Rs. 39.7 crore as on June 30, 2023 [P] and sufficient cushion in the form of undrawn working capital limits. Further, ICRA expects the company's profits to expand in the near to medium term with the management's conscious efforts to improve its service offerings to the clients which are more margin-accretive.

The ratings are, however, constrained by NPPSPL's modest scale of operations and the vulnerability of its revenues to the inherent cyclicity in the shipping industry, as well as the oil and gas exploration segment. The lower scale of operations constrains NPPSPL's ability to benefit from economies of scale and weighs on its competitive position vis-à-vis the larger entities. Being an exclusive distributor of IHI Power Systems Co Ltd (Japan) and Electro-Motive Diesel Inc (USA), ICRA notes a high supplier dependence, and any unavailability of critical components can adversely impact business. Further, the ratings take into account the modest profit margin in the trading segment, affecting the company's overall profit margin.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that NPPSPL will continue to maintain its market position by being the exclusive distributor for global equipment players and its established relations and long-term association with its key customers.

Key rating drivers and their description

Credit strengths

Technical expertise in providing engine management services for marine and oil and gas industries – The Neptunus Group started operations from 1996 and is present in the machine reliability business. The management has over two decades of experience in providing engineering services in the marine and oil and gas segments, among others. NPPSPL benefits from the extensive experience and proven track record of its promoters, which has enabled the Group to establish its position in the export market.

Established relationships with reputed engine manufacturers – NPPSPL is an authorised and exclusive Indian distributor of IHI Power Systems Company Limited (erstwhile Niigata Power Systems Company Limited), Japan, for the spares and services of the gas and diesel engines supplied by the manufacturer in India. It is associated with Electro-Motive Diesel Inc (EMD), USA, for the supply of spares for EMD's diesel engines. The company is also the distributor of the spare parts of other engine manufactures such as Caterpillar Marine Asia Pacific Pte Ltd (Singapore), Triple R Overseas Corporation (Japan) and Alpha Diagnostics Ltd (Switzerland). In FY2022, the company acquired a stake in Impedance DataVIB (a French entity providing technology-based solutions in the Indian and global marine markets) via its UAE subsidiary. The acquisition is likely to aid a healthy order inflow, particularly from the defence segment, and thereby support a reasonable scale-up in the company's revenues in the near to medium term.

High entry barriers- The entry barriers in the engine repair services segment, especially for oil and gas assignments, remain high owing to stringent pre-qualification norms in terms of a service provider's operating track record, technical expertise, and the availability of trained personnel. Further, the requirement of various certifications for operating in the industry, the receipt of which involves longer periods of time, makes the entry to the industry more difficult.

Comfortable financial risk profile characterised by healthy capital structure and adequate liquidity – The company's capital structure remains healthy with a tangible net worth of Rs. 71.4 crore as on March 31, 2023 [P] and nil debt on its book as on that date. This has resulted in strong coverage indicators of over 30 times for FY2023 and TOL/TNW of 0.23 times for the year. Further, the company has a strong liquidity position with healthy cash and cash equivalents of Rs. 33.8 crore as on March 31, 2023 [P] and Rs. 39.7 crore as on June 30, 2023 coupled with undrawn working capital limits. NPPSPL is expected to generate stable cash flows in the coming years with a reasonable scale-up in its overall business. Further, with a moderate level of capex, the expected revenue growth along with a healthy profitability is likely to keep the company's reliance on debt low and its capitalisation and coverage metrics are likely to remain comfortable.

Credit challenges

Modest scale of operations; exposure to cyclicity inherent in shipping and oil and gas industries – The company's scale of operations continues to be modest with fluctuating revenues in the past. The company's revenue growth declined in FY2021 and FY2022 following the vulnerability in its trading business and the engineering services division coupled with the exit from the metal trading business. The company reported a revenue of Rs. 92.9 crore in FY2023 [P] with an operating profit margin of 9.8%. Further, the company sells components with various applications in the marine and oil and gas industries. The oil and gas industry is prone to a high degree of cyclicity, leading to periods of sharply reduced volumes and margin pressure. However, factors such as rising digitisation and expanding infrastructure investments are anticipated to boost the market growth in the medium term.

High supplier dependence - NPPSPL is an exclusive distributor for IHI Power Systems Co Ltd (Japan) and Electro Motive Diesel Inc (USA) for the supply of engines and spare parts in India. The other major suppliers for the company include reputed large players such as Nigata Power Systems (Singapore) PTE Limited and Caterpillar Marine Asia Pacific PTE Limited, among others,

with the top five suppliers contributing to over 60-70% of the total purchases over the past few fiscals, thus making the dependence on a few suppliers quite significant.

Trading nature of operations and stiff competition limit pricing flexibility – NPPSPL’s value addition to products remains limited, given its trading nature of operations for some reputed engine manufacturers. Further, akin to other players in the business, the company witnesses intense competition from original equipment spares (OES) and other organised and unorganized distributors/dealers, which restricts NPPSPL’s pricing flexibility. However, the company is the authorised and exclusive Indian distributor of IHI Power Systems Company Limited for the supply of spares and services for its gas and diesel engines. It is also the exclusive distributor of spares for Electro Motive Diesel Inc’s (EMD) diesel engines. These tie-ups with reputed manufacturers and the company’s sound technical capabilities mitigate the risk to some extent.

Liquidity position: Strong

The company has a strong liquidity position, supported by healthy free cash and cash equivalents of Rs 39.7 crore as on June 30, 2023 [P] coupled with comfortable cushion available in the form of undrawn working capital limits. The absence of external debt on the company’s books of accounts and the minimal capex provide comfort to its overall liquidity position. The liquidity position is expected to remain comfortable, led by healthy cash accrual generation with reasonable scaling up of business operations and modest working capital requirements for the business with the management’s conscious efforts to improve its service offerings to the clients.

Rating sensitivities

Positive factors – ICRA could upgrade NPPSPL’s ratings if the company demonstrates a significant improvement in its scale of operations while maintaining a double-digit operating profit margin, strong coverage metrics and a robust liquidity position.

Negative factors – Pressure on NPPSPL’s ratings could arise if there is a steep decline in revenues and profit margins. Moreover, any deterioration in the debt protection metrics due to increased debt levels to fund the working capital gap could exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Company Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Neptunus Power Plant and Services Private Limited; as on March 31, 2023, the company had one subsidiary, which is enlisted in Annexure-2

About the company

Neptunus Power Plant Services Private Limited (NPPSPL) was incorporated in 1996 by Mr. Uday Purohit to provide engine-related services to shipping companies. It later diversified its operations into trading in engine spare parts, training activities and refurbishment of old engines. At present, the company is involved in two major business verticals viz. i) trading of engine spare parts, and ii) providing services related to gas and diesel-based engines. It caters to the oil and gas segment, marine as well as industrial customers and is an exclusive distributor for IHI Power Systems Co Ltd (Japan) and Electro-Motive Diesel Inc (USA) for the supply of engines and spare parts in India. It also has a subsidiary - Neptunus Global Trading FZE - based in the United Arab of Emirates that supplies spare parts of engines to the marine industry and oil and gas customers.

Key financial indicators

Neptunus Power Plant Services Private Limited (Consolidated)	FY2021(A)	FY2022(A)	FY2023 (Prov)
Operating income (Rs. crore)	96.53	76.38	92.87
PAT (Rs. crore)	4.52	6.54	8.71
OPBDIT/OI (%)	8.28%	9.94%	9.80%
PAT/OI (%)	4.68%	8.57%	9.38%
Total outside liabilities/Tangible net worth (times)	0.46	0.31	0.23
Total debt/OPBDIT (times)	0.98	0.01	0.01
Interest coverage (times)	10.30	55.97	30.37

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Sep 25, 2023	Oct 07, 2022	Sep 28, 2021	Sep 03, 2020	
1 Fund based – Cash credit	Long term/Short term	-	-	-	[ICRA]BBB+ (Stable)/[ICRA]A2+	[ICRA]BBB (Stable)/[ICRA]A2	[ICRA]BBB (Stable)/[ICRA]A2	
2 Fund based-Overdraft facilities	Long term/Short term	2.90	-	[ICRA]BBB+ (Stable)/[ICRA]A2+	-	-	-	
3 Fund based-Standby limit	Short term	-	-	-	[ICRA]A2+	[ICRA]A2	[ICRA]A2	
4 Non fund based- Others	Short term	0.50	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2	[ICRA]A2	
5 Interchangeable limits- Others	Short term	-	-	-	[ICRA]A2+	[ICRA]A2	[ICRA]A2	
6 Unallocated amount	Long term/Short term	-	-	-	[ICRA]BBB+ (Stable)/[ICRA]A2+	[ICRA]BBB (Stable)/[ICRA]A2	[ICRA]BBB (Stable)/[ICRA]A2	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/Short term- Fund based - Overdraft	Simple
Short term- Non-fund based - Others	Very Simple

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: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term/Short term - Fund based – Overdraft facilities	-	-	-	2.90	[ICRA]BBB+ (Stable)/ [ICRA]A2+
NA	Short term- Non-fund-based- Others	-	-	-	0.50	[ICRA] A2+

Source: Neptunus Power Plant Services Private Limited

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

Company	Ownership	Consolidation Approach
Neptunus Power Plant Services Private Limited	100.00% (rated entity)	Full Consolidation
Neptunus Global Trading FZE	100.00%	Full Consolidation

ANALYST CONTACTS

Sabyasachi Majumdar
+91-124-4545304
sabyasachi@icraindia.com

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Anupama Arora
+91-124-4545303
anupama@icraindia.com

Tanya Agarwal
+91-124-4545844
tanya.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.