

November 30, 2023

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 Cash Credit	15.00	15.00	[ICRA]BB+(Stable); reaffirmed
Short-term non-fund-based Others	21.16	21.16	[ICRA]A4+; reaffirmed
Long-term/Short-term - Unallocated Limits	4.28	4.28	[ICRA]BB+(Stable)/[ICRA]A4+; reaffirmed
Total	40.44	40.44	

*Instrument details are provided in Annexure-I

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 reaffirmation of the ratings factors in an increase in the Group's revenues to Rs. 102.9 crore in FY2023 (provisional numbers) from Rs. 89.1 crore in FY2022 owing to a healthy increase in sales of cable joining kits and insulators. However, the operating margin declined to 6.5% in FY2023 from 8.2% in FY2022 owing to under-absorption of overheads and certain write-offs. The Group expects a modest growth in revenues and profitability in FY2024, given the moderate order book. The rating action continues to favourably factor in the extensive experience of the promoters and 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 a healthy net worth position.

However, the ratings continue to be constrained by the Group's modest scale of operations, which impacts 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 affected 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 the players.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that the Group will continue to benefit from the conservative capital structure and comfortable net cash accruals relative to the debt service obligations of the entity.

Key rating drivers and their description

Credit strengths

Experienced promoters with established track record – 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. 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 – The Group's capital structure remained comfortable with a gearing of 0.3 times as on March 31, 2023. The comfortable capital structure was primarily supported by a healthy tangible net worth of Rs. 85.1 crore as on March 31, 2023. The Group operates mainly on working capital (WC) bank facilities and non-fund based facilities (letter of credit and bank guarantee).

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. 102.9 crore (provisional) in FY2023. Its existing scale of operations remains modest compared to 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 various inspection formalities, long approval timelines and moderate financial health.

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 fluctuation 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. 16 crore as on March 31, 2023. Further, the Group has cushion available in the form of undrawn working capital limits. ICRA does not foresee any big concern over the liquidity, given the absence of major capacity expansion plans. However, a significant stretch in the working capital cycle may exert pressure on its 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 ratings upgrade include RoCE above 13% on a sustained basis.

Negative factors – A decline in the OI or the operating profitability could exert pressure on the ratings. 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	Corporate Credit Rating Methodology
Parent/Group support	None
Consolidation/Standalone	ICRA has considered the consolidated financials of YPIL and YCAPL owing to common management and linkages between these two entities.

About the company

YPIL was set up in 1973 by Mr. Shyam Sunder Sardana. It undertakes manufacturing and trading of power transmission equipment like composite polymeric insulators, VCBs, cable jointing kits (which are manufactured by its Group company, 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. Sardana. The company manufactures cable jointing kits and accessories for power cables up to 66 KV and telecom cables. Its manufacturing facilities are in Yamuna Nagar, Haryana, and it sells products under the brand name of Yamuna Densons.

Key financial indicators

Consolidated^ (YPIL + YCAPL)	FY2022 (Audited)	FY2023 (Provisional)
Operating income	89.09	102.93
PAT	3.88	3.40
OPBDIT/OI	8.18%	6.50%
PAT/OI	4.35%	3.31%
Total outside liabilities/Tangible net worth (times)	0.60	0.61
Total debt/OPBDIT (times)	3.59	4.33
Interest coverage (times)	7.13	3.61

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore ^ consolidation done by ICRA on best effort basis

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				November 30, 2023	August 25, 2022	May 27, 2021	-
1 Fund-based Cash Credit	Long-term	15.0	-	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)	-
2 Short-term non-fund-based Others	Short term	21.16	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	-
3 Unallocated	Long term/short term	4.28	-	[ICRA]BB+(Stable)/[ICRA]A4+	[ICRA]BB+(Stable)/[ICRA]A4+	[ICRA]BB+(Stable)/[ICRA]A4+	-

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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	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

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

Annexure II: List of entities considered for consolidated analysis

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

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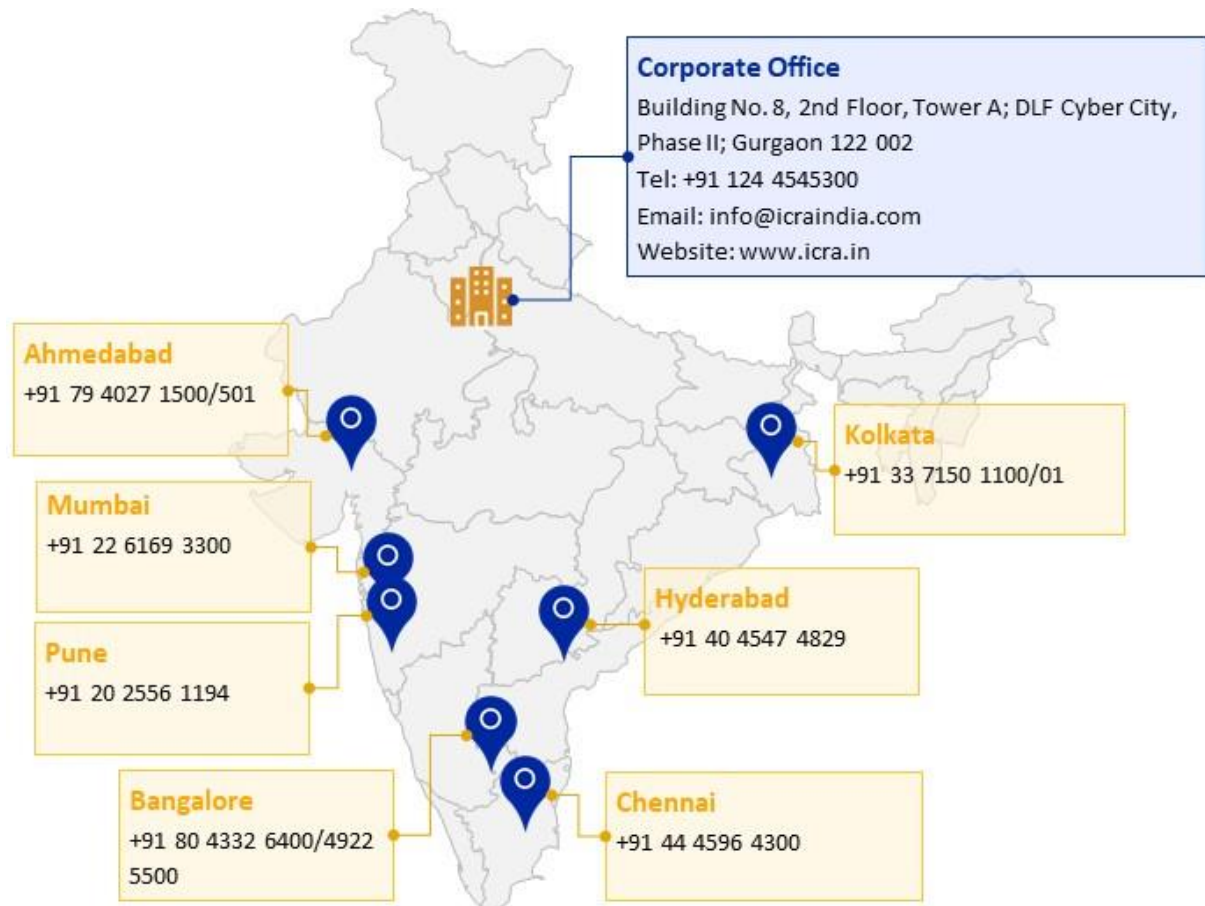
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