

February 25, 2025

I.P.L. Products: [ICRA]BB(Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Issuer rating	-	[ICRA]BB(Stable) assigned
Total	-	

*Instrument details are provided in Annexure I

Rationale

The assigned rating for I.P.L. Products (IPLP/firm) factors in its established track record in manufacturing electric equipment, such as transformers, isolators and feeder pillar boxes. The rating is supported by the benefit that IPLPP derives from its group firms by way of backward and other integrations as well as its robust outstanding orderbook.

The ratings are, however, constrained by IPLP's modest scale of operations and its modest net worth, along with its client concentration risk and the intense competition in the industry. While the revenue growth majorly depends on winning tenders, the firm's ability to maintain service quality and execution timelines remains crucial. Besides, the rating notes that IPLP is a partnership firm, which increases the risk of capital withdrawal.

The Stable outlook on the [ICRA]BB rating reflects ICRA's opinion that IPLP will continue to benefit from its extensive track record of operations and an established market position.

Key rating drivers and their description

Credit strengths

Established track record of operations – I.P.L Products was established in 1974 and has completed 50 years of operations. The management consists of Mr. A Shanmuga Velayuthan and Mrs. Seethalakshmi (daughter of A Shanmuga Velayuthan), who have extensive experience in the business of manufacturing and selling transformers, isolators and feeder pillar boxes. The firm has established relationships with Tamil Nadu Generation and Distribution Corporation Ltd (TANGEDCO) and has licences to manufacture transformers in the range of 16kVA to 6,000kVA. The firm has expanded its geographical reach, getting government orders from Gujarat, Punjab, Maharashtra etc. to supply isolators and feeder pillar boxes.

Healthy outstanding orderbook – The firm's average orderbook tenure is 2-3 months. The firm has achieved Rs. 81.6 crore in 10M FY2025 and the pending orderbook up to March 31, 2025 is Rs. 11.6 crore for transformers apart from healthy orders for isolators and feeder pillar boxes. The FY2026 orderbook as on date consists of Rs. 26.04 crore for transformers and various orders for isolators and feeder pillar boxes. The healthy orderbook position is expected to support the revenues in FY2026.

Credit challenges

Moderate scale of operations; revenue growth vulnerable due to tender-based nature of business – The scale of operations was modest at Rs. 98.7 crore in FY2024 and Rs. 81.6 crore in 10M FY2025. The major client was TANGEDCO during both the time periods. The operating margins are at 8%, given the tender-based bidding process. Hence, the revenue growth remains contingent on the bidding results in the tender-based orders. Any steep drop in tenders would negatively impact the scale and credit metrics of the firm.

Client concentration risk and intense competition in industry limit pricing power – The top five clients, consisting of TANGEDCO and other solar and wind players, contribute to ~40% of the sales. TANGEDCO alone accounts for 15% of the firm’s revenue in FY2024. The industry is highly competitive and the tenders are bid via online bidding for TANGEDCO. There is a high dependence on TANGEDCO for the receivables. Any delay in the realisation of the receivables could negatively impact the liquidity position and credit profile of IPLP. However, the bills are discounted in platforms such as the Trade Receivables Electronic Discounting System (TReDS) and Tamilnadu Industrial Investment Corporation (TIIC), supporting the working capital cycle.

Inherent risk of being a partnership firm – IPLP is exposed to the risks associated with a partnership firm, including capital withdrawal risk, which can adversely impact its capital structure.

Liquidity position: Adequate

IPLP’s liquidity position remains adequate with the healthy cash accruals sufficient to meet the annual repayment obligation of ~Rs. 2 crore per annum in FY2025 and FY2026. The firm also has an average buffer of ~40% of the sanctioned fund-based working capital facilities for the 11 months ended December 2024.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if IPLP is able to exhibit a sustained improvement in its revenues and profitability while maintaining healthy debt coverage metrics and liquidity position.

Negative factors – The rating could be revised downwards if there is a significant decline in the firm’s revenue/profitability that would deteriorate its debt protection metrics and weaken the liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the firm’s standalone financials

About the company

I.P.L. Products is a small-scale industrial unit established by Mr. A Shanmugavelayuthan in 1974 as a sole proprietorship concern. Initially started as M/s International Piston Linear Products, the entity was involved in the manufacturing of grey iron castings. It gradually expanded its product profile by adding electrical accessories such as pillar boxes, isolator/air break switches and transformers, catering majorly to the power industry. The firm has two manufacturing units: Unit - 1 at Thirumudivakkam for manufacturing transformers (16kVA to 6,000 kVA) and Unit – 2 at Kakkalur for manufacturing isolators (11 kVA to 400 kVA) and feeder boxes.

Key financial indicators (audited)

I.P.L. Products (Standalone)	FY2023	FY2024
Operating income	108.5	98.7
PAT	2.7	3.4
OPBDIT/OI	6.7%	8.0%
PAT/OI	2.5%	3.4%
Total outside liabilities/Tangible net worth (times)	3.4	1.2
Total debt/OPBDIT (times)	4.3	0.9
Interest coverage (times)	2.5	3.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Current (FY2025)				Chronology of rating history for the past 3 years							
Instrument	Type	Amount rated (Rs. crore)	February 25, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long term	-	[ICRA]BB(Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer rating	NA

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	Issuer rating	NA	NA	NA	NA	[ICRA]BB (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis - NA

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