February 28, 2025

# 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

To arrive at the rating, ICRA has taken a consolidated view of Yamuna Power & Infrastructure Limited (YPIL) and its Group company, Yamuna Cable Accessories Private Limited (YCAPL)[1], as both companies operate under common management and have strong operational as well as financial linkages along with fungibility of funds.

The ratings continue to factor in the extensive experience of the promoters, the proven track record of the Yamuna Group in manufacturing and trading of electrical equipment, the Group's limited reliance on external debt and adequate liquidity position. ICRA notes the steady growth in the Group's revenue, majorly supported by healthy growth in YCAPL's revenue as YPIL's revenues were adversely impacted in FY2023-FY2025. The muted revenue growth in YPIL during recent years was due to its inability to bid for new orders on account of the lack of adequate certification requirements for its key product necessitated by Government entities. Though the company has applied for the required certification, the revenue and profitability of YPIL would remain under pressure during FY2025-2026, considering the long process associated with acquiring the same. Nevertheless, the entity's adequate liquidity position as well as that of the Group, reflected in the sizeable free cash and fixed deposit balances and buffer in bank limits, would support the Group's credit profile. Its credit profile is also supported by the steady performance of YCAPL, leading to satisfactory operating margins as well as debt metrics at the consolidated level.

The ratings, however, are constrained by the Group's moderate scale of operations as reflected by revenue of Rs. 106 crore in FY2024 (Rs. 102.9 crore in FY2023), which is likely to remain rangebound in the near-to-medium term. The same would impact its ability to benefit from the economies of scale and weigh on its competitive position vis-à-vis the large-sized Groups. Moreover, the Group is vulnerable to product certification/quality-related risks, as the inability to obtain the required certification (as witnessed recently for YPIL) and less-than-satisfactory product quality would directly impact the business as well as its reputation/brand. The ratings also factor in the Group's elongated receivable cycle due to the slow recovery of payments from the State electricity boards and the vulnerability of profitability to the risk of adverse fluctuations in key raw material prices. The ratings also factor in the stiff competition in the electrical 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, despite rangebound revenue growth in the near-to-medium term.

[1] Standalone, does not include YCAPL's subsidiaries

## Key rating drivers and their description

### Credit strengths

**Experienced promoters with proven track record of the Group in electrical equipment industry:** YPIL, along with its Group companies, has been involved in the manufacturing and trading of power transmission equipment (like composite polymeric insulators, vacuum circuit breakers, cable jointing kits and accessories) business for over four decades. In 2001, the Group diversified into the business of installation of sub-stations, erection of transmission lines and cable laying. Experienced promoters, along with an established track record, help the company maintain good relationships with stakeholders across the value chain.

**Adequate capitalisation and liquidity profile:** The Group's capital structure remains comfortable with a gearing of ~0.2 times as on March 31, 2024, supported by low debt levels and healthy tangible net worth, despite incurring operating losses in the last two years at YPIL. The Group's funding requirement is limited to working capital and non-fund based facilities (letter of credit and bank guarantee), which are moderately utilised. Further, the liquidity is supported by free cash and an investment balance of ~Rs. 22 crore as on March 31, 2024 at the Group level (Rs. 13 crore for YPIL).

### Credit challenges

**Moderate scale of operations; vulnerable to product certification/quality related risks**: **–** The Group's existing scale of operations remains moderate compared to the big-sized players in the electrical equipment industry. This constrains its ability to benefit from the economies of scale and weighs on its competitive position vis-à-vis the large-sized entities. Further, a modest scale exposes the Group to the risk of a business downturn and its ability to absorb a temporary disruption and leverage on fixed costs. The Group reported an OI of Rs. 106.3 crore in FY2024, a growth of ~3% mainly on account of ~13% revenue growth at YCAPL, while revenues of YPIL remain subdued. YPIL's operating income was adversely impacted in FY2024 due to loss of orders/inability to bid for new orders. This was due to a new certification requirement for its key product, necessitated by Government entities. Considering the long process, the company's revenues and profitability are likely to remain subdued until the certification is received. Nevertheless, steady revenue growth and stable profitability in YCAPL would continue to support the Group's overall performance. The Group being involved in the manufacturing of critical electrical equipment, remains exposed to quality-related risks as less-than-satisfactory products would directly impact its business and reputation/brand.

**Elongated receivable cycle:** The receivable days of the Group remained high due to delays in payments from the state electricity boards/entities, which remain its biggest customer. State power distribution utilities have longer payment cycles due to various inspection formalities and long approval timelines.

**Susceptible to variation in raw material prices and intense competition in the industry –** The margins of the Group are largely affected by raw material price fluctuations, which impact sales realisations and profitability. The procurement cost of key raw material accounts for 45-55% of the net sales. Further, in the absence of price variation clauses in contracts, the Group remains sensitive to fluctuation in raw material prices. Moreover, the Group encounters stiff competition in the fragmented power transmission equipment manufacturing and trading industry, limiting its pricing flexibility and bargaining power with customers, thereby exerting pressure on its revenues and margins.

## Liquidity position: Adequate

The Group's liquidity position is adequate, on the back of free cash and investment balance of ~Rs. 22 crore as on March 31, 2024 and ~40-45% cushion available in the form of undrawn working capital limits (for average of last 12 months ending January 2025). Further, there are no major capex plans of the Group, besides ~Rs. 3-4 crore of expenses on securing the requisite certifications. Additionally, the external debt remains low, resulting in no major debt servicing obligation. Thus, the Group's cashflows and parked liquidity will be adequate to meet its debt servicing obligations in the near-to-medium term. However, managing the working capital cycle, especially the receivable period, will be key to maintaining its liquidity position at adequate levels and will remain a key monitorable.

## Rating sensitivities

**Positive factors –** ICRA could upgrade the ratings if the Group demonstrates a significant increase in its scale and profitability, along with an improvement in working capital intensity and debt protection metrics on a sustained basis.

**Negative factors –** Pressure on the ratings could arise if there is a decline in the Group's income and profitability leading to a deterioration in debt protection metrics on a sustained basis. A stretch in the working capital cycle leading to pressure on the liquidity would be a credit negative. Specific credit metric that could result in ratings downgrade include interest cover below 2.5 times on a sustained basis.

## 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 (standalone) while taking a consolidated view of the two companies, since both the companies operate under the common management and have strong operational as well as financial linkages along with fungibility of funds. |

## 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 (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, which was renamed later in 2007. The company's plants are located at Yamuna Nagar (Haryana), Halol (Gujarat) and Kolkata (West Bengal).

YCAPL, formerly known as Bhatuloi Reinforce Private Limited was incorporated in 1996 by Mr. Shyam Sunder Sardana (YPIL's promoter). The company manufactures cable joining kits and accessories for power cables up to 66 KV and telecom cables. The company's manufacturing facilities are located at Yamuna Nagar (Haryana), and it sells products under the brand name, Yamuna Densons.

### Key financial indicators

| Consolidated (YPIL + YCAPL*) | FY2023 | FY2024 |
|---|---|---|
| **Operating income** | 102.9 | 106.3 |
| **PAT** | 3.4 | 5.2 |
| **OPBDIT/OI** | 6.5% | 10.6% |
| **PAT/OI** | 3.3% | 4.9% |
| **Total outside liabilities/Tangible net worth (times)** | 0.3 | 0.2 |
| **Total debt/OPBDIT (times)** | 3.4 | 1.5 |
| **Interest coverage (times)** | 3.6 | 6.6 |

*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; *Standalone*

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

## Any other information: None

## Rating history for past three years

| Instrument | Current Year (FY2025) Type | Amount rated (Rs. crore) | Feb 28, 2025 | Chronology of rating history for the past 3 years FY2024 Date | Rating | FY2023 Date | Rating | FY2022 Date | Rating |
|---|---|---|---|---|---|---|---|---|---|
| **Fund-based Cash credit** | Long-term | 15.00 | **[ICRA]BB+ (Stable)** | 30-Nov-2023 | [ICRA]BB+ (Stable) | 25-Aug-2022 | [ICRA]BB+ (Stable) | 27-May-2021 | [ICRA]BB+ (Stable) |
| **Short-term non-fund-based Others** | Short term | 21.16 | **[ICRA]A4+** | 30-Nov-2023 | [ICRA]A4+ | 25-Aug-2022 | [ICRA]A4+ | 27-May-2021 | [ICRA]A4+ |
| **Unallocated** | Long term/short term | 4.28 | **[ICRA]BB+ (Stable)/ [ICRA]A4+** | 30-Nov-2023 | [ICRA]BB+ (Stable)/ [ICRA]A4+ | 25-Aug-2022 | [ICRA]BB+ (Stable)/ [ICRA]A4+ | 27-May-2021 | [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 | - | - | - | 15.00 | [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 |

**Standalone, does not includes subsidiaries*

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## 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.

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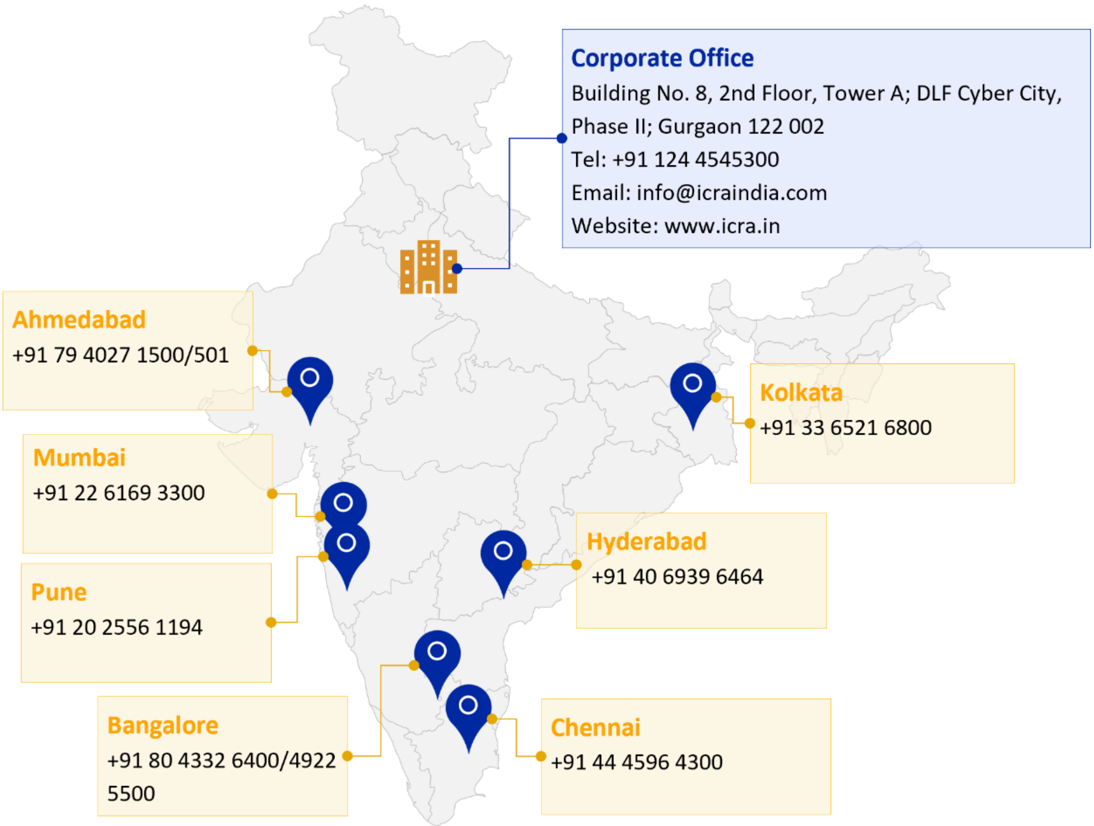




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