May 30, 2025

Power Research and Development Consultants Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund Based - Cash Credit	7.00	7.00	[ICRA]D; reaffirmed
Long term - Non-fund based	5.50	5.50	[ICRA]D; reaffirmed
Total	**12.50**	**12.50**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation considers the continued irregularities observed in the debt-servicing of some lenders by Power Research and Development Consultants Private Limited (PRDC) during the months of February and March 2025. The same reflects the continued stretched liquidity position of the entity owing to delayed receivables cycle. PRDC's elevated working capital intensity has resulted in fully utilised working capital limits, with negligible cushion in the available working capital limits. The entity has to raise the unsecured loans from various non-banking finance entities (NBFCs) at exorbitantly high interest rate, further impacting the entity's coverage metrics in FY2025. The rating is also tempered by the company's high sectoral concentration with the major portion of its revenues derived from the power system domain. ICRA notes that small scale operations expose the company to the risks associated with a prolonged industry downturn.

The rating, however, continues to derive comfort from the extensive experience of its promoters in the power systems design and consulting segment. The rating also factors in the potential revenue growth in the software development segment, supported by the company's ability to develop indigenous products at competitive pricing. This rating favourably considers PRDC's reputed customer base, including government entities, which reduces its counterparty credit risk. Nonetheless, timely debt servicing by the entity going forward would remain the key rating monitorable.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters – PRDC's Managing Director, Dr. R. Nagaraja, has an extensive experience of over two decades in the power systems industry. The extensive industry knowledge of the promoters and the proven operational track record of PRDC enabled the company in establishing strong relationships with key customers and suppliers. The rating takes comfort from the company's high level of competency in the field of power consultancy and its continuous research towards new product development, beneficial largely to power utility companies.

Reputed customer base – The customers of PRDC are government-owned power utility companies like North Eastern Regional Power Committee, Odisha Power Transmission Corporation Limited, Karnataka Power Transmission Corporation Limited (KPTCL), Bangalore Electricity Supply Company Limited (BESCOM) etc., which reduce the counterparty credit risk, as evident from its low bad debt in the previous years. This apart, the company has been consistently adding new customers to reduce the concentration risk. The company is looking to increasingly collect advances from customers to ease the pressure on working capital.

Credit challenges

Continued delay in debt-servicing in recent months- The entity's debt-servicing continues to witness irregularities. Although the entity has repaid the project related term loan in FY2025 (on which they had initially delayed) there has been irregularities in servicing of short-term borrowing facilities availed from a portfolio of NBFCs, wherein the entities witness delays in the month of February and March 2025. Timely debt servicing by the entity going forward would remain the key rating monitorable.

Modest capital structure and weak debt coverage indicators – PRDC's capital structure remained modest with a total debt to OPBDITA of 3.5 times as on March 31, 2024, which elevated to almost 5 times as on 9M FY2025. The debt coverage indicators also remained weak with a DSCR and an estimated DSCR of 1.12 times and 0.71 times as of March end in FY2024 and FY2025 respectively.

Stretched receivables leading to elevated working capital intensity – PRDC's customer profile mainly comprises state utilities and other government clients owing to which the receivables cycle remains stretched and leads to high working capital intensive nature of operations. Given the milestone-based contracts, PRDC's unbilled revenue also remains elevated, increasing the working capital intensity, and leading to weak free cash flow generation.

High sectoral concentration – Large exposure of the company's revenues to the power systems domain leads to significant sectoral concentration risk. However, new softwares like Dynamic Security Assessment and Discom REPOSE remain a key focus area of growth for the company, which would reduce the sectoral concentration risk to an extent.

Small scale of operations exposes the company to risks associated with a prolonged industry downtrend – The small scale of the company's operations makes it more vulnerable to the risk of a prolonged industry downtrend. ICRA notes that the revenue of the company is yet to touch the pre-Covid level as the pandemic has adversely impacted PRDC's performance, leading to a slower pace of order execution and a build-up of receivables.

Liquidity position: Poor

PRDC's liquidity is poor, as reflected in the delays in fulfilling its debt repayment obligations as well as various small ticket loans taken at high interest rates from NBFCs to support its operations.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a timely debt servicing track record, supported by an improvement in the overall liquidity and the profitability on a sustained basis.

Negative factors – Not Applicable

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy on Default Recognition
Parent/Group support	Not Applicable.
Consolidation/Standalone	The rating is based on the standalone financial statements.

About the company

Established in 1994 and promoted by Dr. R Nagaraja, PRDC is involved in power systems consultancy services. PRDC also develops software for power network design and analysis in the name of MiPower, Mi AFAS, Mi DS[2] etc. PRDC further provides automation and power system solutions, wherein the company designs the embedded systems as per customers' requirements, while the manufacturing process is outsourced. The company carries out projects for state electricity boards and utilities, independent power producers and companies in other industries such as cement, steel and sugar. It has also been recognised by the Visvesvaraya Technological University as an affiliated research centre, which allows PRDC to provide training to power engineers working in state/regional electricity boards, generation, transmission and distribution companies, among others.

Key financial indicators (audited/provisional)

PRDC Standalone	FY2023	FY2024	9M FY2025*
Operating income	25.6	31.4	22.3
PAT	0.5	0.7	0.5
OPBDIT/OI	19.0%	21.0%	22.1%
PAT/OI	2.1%	2.1%	2.3%
Total outside liabilities/Tangible net worth (times)	3.1	3.0	1.6
Total debt/OPBDIT (times)	5.2	3.6	5.0
Interest coverage (times)	2.0	2.1	2.3

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th></th><th colspan="3">Current (FY2026)</th><th colspan="6">Chronology of rating history for the past 3 years</th></tr>
<tr><th></th><th colspan="3">May 30, 2025</th><th colspan="2">FY2025</th><th colspan="2">FY2024</th><th colspan="2">FY2023</th></tr>
<tr><th>Instrument</th><th>Type</th><th>Amount Rated (Rs Crore)</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th></tr>
<tr><td rowspan="2">Long Term Fund-based – Cash Credit</td><td rowspan="2">Long Term</td><td rowspan="2">7.00</td><td rowspan="2">[ICRA]D</td><td rowspan="2">-</td><td rowspan="2">-</td><td>28-Sept-23</td><td>[ICRA]B+ (Stable)</td><td rowspan="2">29-July-22</td><td rowspan="2">[ICRA]B+ (Stable)</td></tr>
<tr><td>1-Feb-24</td><td>[ICRA]D</td></tr>
<tr><td rowspan="2">Long Term- Non-fund Based -Bank Guarantee</td><td rowspan="2">Long Term</td><td rowspan="2">5.50</td><td rowspan="2">[ICRA]D</td><td rowspan="2">-</td><td rowspan="2">-</td><td>28-Sept-23</td><td>[ICRA]B+ (Stable)</td><td rowspan="2">29-July-22</td><td rowspan="2">[ICRA]B+ (Stable)</td></tr>
<tr><td>1-Feb-24</td><td>[ICRA]D</td></tr>
</table>

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund Based-Cash Credit	Simple
Long Term -Non-fund based – Bank Guarantee	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 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-Cash Credit	-	-	-	7.00	[ICRA]D
NA	Long Term- Non-fund Based -Bank Guarantee	-	-	-	5.50	[ICRA]D

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam
+91 33 7150 1120
girishkumar@icraindia.com

Vikram V
+91 22 6169 3328
vikram.v@icraindia.com

Sumit Jhunjhunwala
+91 33 6521 6814
sumit.jhunjhunwala@icraindia.com

Rishin Devnath
+91 33 6521 6811
rishin.devnath@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