

April 25, 2022

## Enerfra Projects (India) Pvt. Ltd: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term Fund Based – Term Loan	14.00	14.00	[ICRA]BB+(Stable); reaffirmed
Long-Term - Unallocated	6.00	6.00	[ICRA]BB+(Stable); reaffirmed
<b>Total</b>	<b>20.00</b>	<b>20.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating reaffirmation continues to factor in Enerfra Projects (India) Pvt. Ltd's (EPPL) experienced management with a long operational track record in the wind BOP segment, its established relations with customers and its ability to secure orders from reputed clients. Further, EPPL's reliance on external debt is low as the wind balance of plant (BOP) works are majorly financed by customer advances and timely progress payments in the wind segment. The rating also continues to positively factor in the favourable long-term PPA with GUVNL for 4.0-MW wind power plant and a debt-service reserve account (DSRA) equivalent to one quarter's interest and principal repayment. Further, the coverage indicators remain comfortable and the unexecuted order book of Rs. 207 crore as on March 31, 2022 provides revenue visibility.

The ratings, however, remain constrained by a significant decline in revenues to Rs 19.4 crore in FY2021 from Rs 96.3 crore in FY2020 owing to slow order addition and execution amid the pandemic. However, in FY2022, the order execution improved with around Rs. 41-crore revenue along with a new order inflow of Rs. 213.4 crore. The PLF levels of the 4.0-MW wind power plant also declined to around 20% in the last two years from 26% in FY2020 owing to subdued wind season. The rating is also constrained by the high TOL/TNW of 3.4 times as on March 31, 2021, as the company's dependence on creditors and advances from customers for project execution remains high.

The Stable outlook reflects ICRA's expectations that the company would continue to maintain its credit profile with an improvement in revenue, profit margins and overall liquidity position.

### Key rating drivers and their description

#### Credit strengths

**Experienced promoters in wind BOP business** – The company is promoted by Mr U. B. Reddy and Mr C. R. Srinivas, who have more than three decades of experience in the wind energy sector. Further, the promoters also own land allotment rights in various sites across India in Karnataka, Andhra Pradesh, Telangana and Gujarat for future wind farm development.

**Long-term PPA for 4-MW wind power plant** – The company operates a 4.0-MW wind power plant at Patan, Gujarat, since March 2017. The company has a long-term PPA with Gujarat Urja Vikas Nigam Limited (GUVNL) ([ICRA]AA-(Stable)/A1+) at a feed-in-tariff of Rs. 4.19 per unit, limiting the demand and counterparty credit risks to a major extent. Further, a debt-service reserve account (DSRA) equivalent to one quarter's interest and principal repayment supports its liquidity position to an extent.

**Order book position provides future revenue visibility** – The company has a comfortable order book (Rs. 207 crore in March 2022) for civil and BOP works, to be executed over the next 18-24 months, which provides near-term revenue visibility.

**Comfortable gearing and debt protection metrics** - EPPL's financial risk profile is comfortable with a gearing of 0.8 times and DSCR of 1.9 times in FY2021 owing to low reliance on external debt as the wind BOP works are majorly financed by customer advances and timely progress payments. The company's debt protection metrics are likely to improve further in FY2023 and FY2024 with the expected increase in scale following the execution of ongoing projects and the scheduled debt repayments.

## Credit challenges

**Decline in revenues** – EPPL's revenue declined by 80% to Rs. 19.4 crore in FY2021 from Rs. 96.3 crore in FY2020 as the pandemic slowed down order addition and execution by wind independent power producers (IPP) and approval related issues. However, the order execution and inflow improved in FY2022 with a revenue of ~Rs. 41 crore (provisional). Further, the order book position of Rs. 207 crore as of March 2022 is expected to drive revenue growth in the coming years.

**High project and customer concentration** – The company remains highly dependent on a single customer or a project for its revenues as the total unexecuted order book comprises only two large sized orders and a major part of the orders is in the initial phase of execution. Any slowdown in project execution may result in lower billing and profitability for the company.

**High competition** – The EPC industry is highly fragmented, exposing the company to intense competition and pricing pressures, especially with the company's scale remaining modest that constrains its bargaining power and results in low margins in the EPC segment.

**Vulnerability of wind power plant division's cash flows to high seasonality** - The seasonal nature of wind in India and the variability of wind speed and its impact on the PLF make the revenue volatile and affect the cash flows, given the single-part nature of the tariff rate fixed in the PPA. The PLF levels of the 4.0-MW wind power plant declined to around 20% in the last two years from 26% in FY2020 owing to reduced wind availability.

## Liquidity position: Adequate

The liquidity position of EPPL is adequate with a DSRA of three months' principal and interest with the bank and timely receipt of payments from its customers. The company had ~Rs. 1 crore in the DSRA account as on March 31, 2022. The company has a repayment obligation of Rs. 1.16 crore in FY2023 and the cash accruals are expected to remain adequate to service the repayments.

## Rating sensitivities

**Positive factors** – The rating could be upgraded if the company is able to improve its revenues and profitability margins, resulting in improved debt coverage indicators on a sustained basis.

**Negative factors** – Material decline in the company's scale of operations due to delays in order execution/addition or decline in the operating margins could result in a rating downgrade. Also, a significant decline in the PLF levels adversely impacting the cash flows would put pressure on the rating.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Wind power producers</a> <a href="#">Construction entities</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of EPPL

## About the company

EPPL, incorporated in November 2013, is a civil contractor and consultant in the wind energy sector. Headquartered in Bengaluru, with an office in Hyderabad, the company undertakes engineering, procurement and construction (EPC) contracts for rendering balance of plant (BOP) services (i.e., development of entire wind farm excluding wind turbine erection) for the firms in the wind sector. It had executed EPC contracts for reputed firms such as the Actis Group and ReNew Power Limited among others in the past. It possesses land allotment rights in attractive wind potential sites to develop wind farms in Andhra Pradesh, Telangana, Karnataka and Gujarat through its wholly-owned subsidiaries.

EPPL also operates a wind power production division, under which it operates a 4.0-MW wind power plant at Patan, Gujarat, a part of the larger 300-MW wind farm developed by Gamesa Renewable Private Limited. The project was completed in March 2017 and has a power purchase agreement (PPA) with GUVNL for 25 years till June 2042, at an agreed feed-in tariff of Rs. 4.19 per KWh to offtake the entire power generated.

### Key financial indicators (audited)

Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	96.3	19.4
PAT (Rs. crore)	1.8	0.1
OPBDIT/OI (%)	5.1%	18.6%
PAT/OI (%)	1.9%	0.7%
Total Outside Liabilities/Tangible Net Worth (times)	6.90	3.38
Total Debt/OPBDIT (times)	3.70	5.17
Interest Coverage (times)	2.64	2.06

\*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 (FY2023)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Feb 28, 2022 (Rs. crore)	Date & Rating on	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				Apr 25, 2022			
1 Term Loans	Long Term	14.00	11.11	[ICRA]BB+ (Stable)	-	[ICRA]BB+ (Stable)	[ICRA]BB+ (Positive)
2 Unallocated	Long Term	6.00	-	[ICRA]BB+ (Stable)	-	[ICRA]BB+ (Stable)	[ICRA]BB+ (Positive)

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Term Loan	Simple
Unallocated	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 and 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: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loans	March 2017	-	FY2032	14.00	[ICRA]BB+ (Stable)
NA	Unallocated	-	-	-	6.00	[ICRA]BB+ (Stable)

Source: Company

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

**Annexure-2: List of entities considered for consolidated analysis: Not applicable**

## ANALYST CONTACTS

**Sabyasachi Majumdar**  
+91 124 4545304  
[sabyasachi@icraindia.com](mailto:sabyasachi@icraindia.com)

**Girishkumar Kadam**  
+91 22 6114 3441  
[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Sanket Thakkar**  
+91 079 4027528  
[sanket.thakkar@icraindia.com](mailto:sanket.thakkar@icraindia.com)

**Harshit Surana**  
[harshit.surana@icraindia.com](mailto:harshit.surana@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto: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](http://www.icra.in)

## ICRA Limited



### Registered Office

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

Tel: +91 11 23357940-45



### Branches



© Copyright, 2022 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](http://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.