December 13, 2022

Energyan Private Limited: Issuer rating of [ICRA]B- (Stable) assigned

Summary of rating action

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	NA	[ICRA]B- (Stable); assigned
Total	**NA**	

Rationale

The assigned ratings factor in Energyan Private Limited's (EPL/the company) nascent stage of operations, having begun only in 2022. Accordingly, the company is yet to build up its clientele base and stabilise its operations. The same is expected only over the medium term, supported by the extensive experience of its advisors and their relationships with prospective customers in the targeted business segments.

Despite the nascent stage of operations, comfort is drawn from EPL's manufacturing capacity already having been set up, which will support it in scaling up volumes and revenues over the medium term, as and when the order book ramps up, with limited additional investment requirements. Going forward, EPL's ability to improve its scale of operations and profitability, while effectively managing its working capital, will be critical to achieving a self-sustainable level of operations and would, accordingly, be key rating sensitivities. The promoter's ability to support the entity in the meanwhile remains critical, considering that its operations are currently generating losses and financial flexibility is limited at present.

Key rating drivers and their description

Credit strengths

Manufacturing facility already set up, which will limit capex outgo, going forward – The company currently has 33,000 sq. ft. of manufacturing space in Bangalore, which was commercialised at the start of 2022. Furthermore, there is land available for an additional facility as well, if required. While all of EPL's machinery are currently for manufacturing receivers, the same can be used for manufacturing dryers as well. Generators can also be manufactured at the same unit. For filters, the major component, filter elements, will have to be imported with assembly operations at the facility. Thus, the capex requirement, going forward, is expected to be minimal and can be funded through internal accruals/promoter loans.

Long track record and experience of advisors in the manufacturing industry – The board of advisors of the company have more than 25 years of experience working in related industry segments. The vast experience will help the company in streamlining its operations, as well as developing its client base, leveraging on the existing relationships of the advisors.

Credit challenges

Limited track record of operations; client relationships and order book position yet to fructify in a meaningful way – The company commenced operations from 2022 and is in the process of setting up its client base. Given the lead time associated with product manufacturing, testing and approvals, the company is expected to stabilise its client base only over the medium term. Accordingly, ICRA expects the scale up and stabilisation of EPL's operations to be gradual.

Stiff competition from unorganised players limits pricing flexibility – Given the limited product differentiation, which limits client stickiness, EPL faces stiff competition from other unorganised players in the field. This limits its pricing flexibility.

Operations yet to turn profitable given nascent operational stage; promoters' ability to support EPL till its operations scale up to profitable and self-sustaining levels remains critical – With modest scale of operations, which limits its ability to realise scale economies, and its limited pricing power in the market as a new entrant, the company is currently loss-making. While the margins are expected to improve as the scale and pricing power improves and the company engages in some backward integration initiatives, it is likely that it would generate losses over the medium term till operations stabilise. Accordingly, funding support from the promoters would remain critical in the interim to sustain its operations.

Limited financial flexibility – Given the current negative cash accruals and nascent stage of operations, EPL currently has limited financial flexibility. It currently does not have any sanctioned bank lines in place and is dependent on support from the promoters for meeting its funding requirements.

Liquidity position: Poor

The company's liquidity position is **poor** with negative cash accruals in FY2022, negligible free cash and bank balance of Rs. 0.1 crore as on March 31, 2022, and no sanctioned bank lines in place currently. As of March 31, 2022, EPL had Rs. 0.15 crore of unsecured loan outstanding from promoters, which are interest free and do not have any fixed repayment terms. Given the nascent stage of operations, the company would remain dependent on funding support from promoters to meet the requirements as and when required, till the company is able to generate positive cash flows.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if EPL is able to scale up its operations meaningfully and profitably, which supports improvement in its credit profile on a sustained basis.

Negative factors – Slower-than-expected ramp up of operations or debt-funded investments, which results in further weakening of EPL's credit profile could exert downward pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of EPL.

About the company

Energyan Private Limited (EPL), established in 2021 by Mr. Aniket Gupta who is the founder and promoter, is a manufacturer of compressors, and various types of generators like nitrogen, oxygen and hydrogen generators. It will also execute certain turnkey projects and plan to increase its presence in the hydrogen fuel segment also. The company's manufacturing plant is in Bangalore and has been in operation since the beginning of 2022.

Key financial indicators

EPL – Standalone	FY2022 Audited
Operating income	0.2
PAT	-0.1
OPBDIT/OI	-49.7%
PAT/OI	-39.1%
Total outside liabilities/Tangible net worth (times)	-3.9
Total debt/OPBDIT (times)	-1.9
Interest coverage (times)	-163.4

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 of March 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Dec 13, 2022	-	-	-
1	**Issuer rating**	Long-term	NA	-	**[ICRA]B-(Stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	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, is available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	NA	NA	NA	NA	[ICRA]B- (Stable)

Source: *Company*

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

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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.

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

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