



Press Release
IDEAS ELECTRICALS AND ENGINEERS PRIVATE LIMITED
January 24, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	59.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	74.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) and short-term rating of ‘**ACUITE A3+**’ (read as **ACUITE A three plus**) on the Rs. 74.00 Cr. bank facilities of Ideas Electricals and Engineers Private Limited (IEEPL). The outlook is ‘**Stable**’.

Rationale for rating

The rating assigned considers the experienced management, improved operating performance and healthy order book position. The rating also, derives strength from healthy financial risk profile of the company and adequate liquidity. However, the rating is constrained by moderate working capital management and tender-based nature of operations in an intensely competitive construction sector.

About the Company

Ideas Engineers was established in 2008 as a partnership firm, which was reconstituted in December 2018 as a private limited company, i.e., Ideas Electricals and Engineers Private Limited (IEEPL). The company is managed by directors: Mr. Subhash R. Sarda and Mr. Sunil B. Gadekar. IEEPL is an Aurangabad-based company engaged as an Engineering, Procurement, and Construction (EPC) contractor for electrical projects across various industries, including sugar, cement, fertilizer, metallurgical plants, and other sectors. The company also supplies electrical control panels, low voltage Power Control Centres (PCC), Motor Control Centres (MCC), distribution boards, bus ducts, and control desks, coupled with designing, detailed engineering, and drawing of electrical installations.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone business and financial risk profiles of IEEPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and long operational track record

The company is managed by Mr. Subhash R. Sarda and Mr. Sunil B. Gadekar, along with a team of experienced personnel. The directors have around two decades of experience in the construction business. It has successfully completed various projects with a number of reputed private and government counterparties, such as MSETCL, Indian Railways, Rail Vikas Nigam Ltd., Ultratech Cement Ltd., Adani, and Hindalco, to name a few.

Acuite believes that the long track record and rich experience of the directors augur well for the company's

relationships with key suppliers and customers.

Improved operating performance backed by healthy order book position

The company has achieved revenue of Rs. 170.09 Cr. in FY 2024, compared to Rs. 140.45 Cr. in FY 2023. Furthermore, the company recorded revenue of Rs. 109.14 Cr. as of December 2024. The company has a healthy order book, with unexecuted orders worth around Rs. 376 Cr., which are to be executed over the next 6-18 months, thereby providing revenue visibility in the medium term. The company achieved and maintained healthy operating margin of 11.77% in FY24 as against 11.18% in FY23. The PAT margin stood at 7.89% in FY24, compared to 7.64% in FY23.

Acuité believes that IEEPLs operating performance would remain comfortable over the medium term backed by its healthy order book position.

Healthy financial risk profile

The financial risk profile of IEEPL is healthy marked by moderate net worth, low gearing, and healthy debt protection metrics. The net worth of the company stood at Rs.62.96 Cr. as of 31st March 2024, compared to Rs.50.18 Cr. as of 31st March 2023, this includes Rs. 7.52 Cr. of unsecured loans from promoter's considered as part of quasi-equity, based on the undertaking given by the company. The gearing of the company remained low at 0.09 times as of 31st March 2024, compared to 0.18 times as of 31st March 2023. Further, debt protection metrics remained healthy, with the debt service coverage ratio (DSCR) at 6.20 times in FY 2024, compared to 6.78 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 2.53 times in FY 2024, compared to 1.25 times in the previous year.

Acuité believes the financial risk profile of the company will remain healthy, owing to steady net cash accruals and the absence of any major debt-funded capex in the near term.

Weaknesses

Moderate Working Capital Management

The working capital operations of the company are moderate in nature, marked by a GCA of 165 days in FY 2024, compared to 192 days in FY 2023. The GCA days and working capital cycle have shown year-on-year improvement, primarily due to quicker customer payments, resulting in reduced debtor days. The debtor days stood at 53 days as of March 31, 2024, compared to 96 days as of March 31, 2023. The inventory days for the company stood at 31 days in FY 2024, compared to 32 days in FY 2023. Additionally, creditor days stood at 26 days in FY 2024, compared to 62 days in the previous year. Furthermore, the reliance on working capital limits remained low, with utilization at around 37 percent over 12 months ending November 2024.

Acuité believes that the working capital operations of the company will continue to remain moderate due to the nature of business.

Susceptibility of Profitability to the Tender-Based Nature of business and Intense Competition

Tender-based operations limit pricing flexibility in an intensely competitive industry. Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, which requires them to bid aggressively to procure contracts, thereby restricting operating margins to a moderate level. Additionally, given the cyclical nature inherent in the construction industry, the ability to maintain profit margins through operating efficiency becomes critical.

Acuité believes that the company's business and financial profiles may adversely impact due to the presence of stiff competition and the inherent risks associated with tender-based operations.

Rating Sensitivities

Consistent Improvement in scale of operation while maintaining the profitability margins.

Timely execution of orders.

Sustenance of healthy financial risk profile.

Working capital management.

Liquidity Position

Adequate

The company's liquidity position is marked as adequate, due to its healthy net cash accruals of Rs. 14.11 Cr. in FY 2024, compared to its maturing debt obligations of around Rs. 0.48 Cr. Further, it is expected that the company will generate cash accruals in the range of Rs. 14.62 – Rs. 19.46 Cr., compared to maturing repayment obligations of around Rs. 0.43 – Rs. 0.47 Cr. over the medium term.

Acuité believes that the liquidity position of the company will remain adequate, supported by steady cash accruals and the buffer available from the low utilization of working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	170.09	140.45
PAT	Rs. Cr.	13.42	10.73
PAT Margin	(%)	7.89	7.64
Total Debt/Tangible Net Worth	Times	0.09	0.18
PBDIT/Interest	Times	9.73	14.50

Status of non-cooperation with previous CRA (if applicable)

Care, vide its press release dated May 08th, 2024 had denoted the rating of Ideas Electricals and Engineers Private Limited as Care BB-/ A4 'Reaffirmed and Issuer not co-operating'.

India Rating, vide its press release dated May 15th, 2024 had denoted the rating of Ideas Electricals and Engineers Private Limited as IND-RA BB+/ Stable/ A4+ 'Reaffirmed and Issuer not co-operating'.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	39.00	Simple	ACUITE A3+ Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A3+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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