No. CARE/CRO/RL/2021-22/1398

Shri Natarajan
Chief Executive Officer
Operational Energy Group India Limited
2A, Gokul Arcade 5th floor, East wing
Sardar Patel Road, Adyar
Chennai
Tamil Nadu 600020

December 31, 2021

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY21 (Audited) and H1FY22 (Un-Audited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	12.00 (Reduced from 18.00)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Short Term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Revised from CARE A3 (A Three)
Total Facilities	32.00 (Rs. Thirty-Two Crore Only)		

2. Refer **Annexure I** for details of rated facilities.

3. The rationale for the rating is enclosed as **Annexure II**. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure III**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 03, 2021, we will proceed on the basis that you have no any comments to offer.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

[1]Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

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8. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Bhargavi R	**Jaganathan A**
Analyst	Assistant Director
bhargavi.r@careedge.in	jaganathan.a@careedge.in

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.
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Annexure I
Details of Rated Facilities

1. Long Term Facilities
1.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Axis Bank Ltd.	12.00	Cash Credit
	Total	**12.00**	

Total Long Term Facilities : Rs.12.00 crore

2. Short Term Facilities
2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Axis Bank Ltd.	20.00	Bank Guarantee
	Total	**20.00**	

Total Short Term Facilities : Rs.20.00 crore

Total Facilities (1.A+2.A) : Rs.32.00 crore

Annexure II
Rating Rationale
Operational Energy Group India Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[2]	Rating Action
Long Term Bank Facilities	12.00 (Reduced from 18.00)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Short Term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Revised from CARE A3 (A Three)
Total Bank Facilities	**32.00 (Rs. Thirty-Two Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Operational Energy Group India Limited (OEG) factors in consistent improvement in the scale of operations and improved debt coverage indicators. The rating also takes note of the reducing working capital intensity and improved liquidity position.

The ratings continue to derive strength from the vast experience of the promoters & long operational track record of the company in the power sector with a well-qualified O&M team, long-standing relationship the company enjoys with its customers with track record of renewal of contracts. The ratings are, however, constrained by high share of revenues from a few clients, exposure to group companies in the form of investments and the highly competitive nature of the industry.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations above Rs.500 crore with diversification of client profile
- Consistent improvement in operating margins

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Increase in leverage levels with gearing exceeding 1.0x
- Any stretch in collection period leading to deterioration in liquidity
- Any significant increase in exposure to the group companies

Detailed description of the key rating drivers

Well-experienced promoters and long track record of operations in the power sector

Mr S Ramesh, Managing Director of OEG has over three decades of experience in the operations and maintenance of power plants and had worked with various organisations before incorporating OEG. The company has been operational for over 16 years and manages the Operation & Maintenance (O&M) of power plants. The company focuses both on independent power producers and small/captive power producers and currently manages an aggregate capacity of over 2,000 MW. OEG has capability to serve thermal power plants operating various types of turbines, boilers and fuels. The company is ISO 9001:2008 certified for the operation and maintenance of diesel power plant and has developed expertise in coal-fuelled plants.

Long standing relationship with customers with track record of renewal of contracts

The company enters into O&M contracts (medium-long term) mainly through bidding process at a fixed price basis with annual escalations. Most of the contracts of OEG involve managing O&M activities majorly for coal based power plants with capacity under 200 MW. The company has a long standing relationship with most of its clients. The company generally enters into agreement for tenure of about 3-5 years with few long tenure contracts as well. Most of the customers have renewed their contracts many times in the past and have stayed with the company for long periods.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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Well-qualified O&M team

Over the years, the company has developed a well-qualified team to carry out the O&M activities. Mr Natarajan S, CEO has around two decades of experience in power plant operations. Other senior management personnel also have vast experience and have been associated with the company for a long time. The company manages O&M activities at about 45 locations in India and abroad and deploys about 100-200 employees at each site location depending on the size of the power plant. The company employs its own employees in critical positions and outsources the day to day operations of the plant (physical labourers, housekeeping etc.). Apart from qualified employees, the company also leverages on its experience of working with various power plants to guide the operators to adopt best practices used across the industry. As on March 31, 2021, OEG had about 2,455 employees with technical personnel on its rolls and other supporting staff on contracts based on the requirements. The company has also setup a training academy OPTRA (OEG Power Engineers Training Academy) to provide training to fresh graduates in the field of power plant operations and inducts them into the company post their completion of training.

Consistent growth in the scale of operations

The company has reported almost 40% growth in revenue in FY21 driven by the growth in domestic O&M business despite, the fall in demand for electricity post COVID and selective allocation of coal to power plants. The company added larger-size power plants under its portfolio with the aim of scaling up operations and isolate itself from competition from small unorganized players whose competition is fierce in the lower sized power plants portfolio. Growth in the last two years was largely contributed by the large ticket operations and maintenance contract of 3*600 MW thermal power plant of K.S.K. Mahanadi Power Company Private Limited (KSK) and 4*135 MW thermal power plant of Sai Wardha Power Generation Limited (SWPGL). The company had a total domestic order book position of Rs.252 crore to be booked in FY22 (refers to the period April 1 to March 31) and the company had achieved a total operating income of Rs. 133.92 crore (PY: Rs.112.39 crore) and Rs.151.59 crore (PY: Rs.126.44 crore) at standalone and consolidated level respectively for the period H1FY22. Furthermore, the company has a domestic order book position of Rs.285 crore which is to be booked in FY22 as of December 2020.

The income contribution from the overseas market was stable compared with the last year as the company executed only one project from Electricite DU Libian, Republic of Lebanon for 198MW & 80 MW plants renewal of which is due in Jan 2021 and has been extended for a period of one year. From FY22 onwards, the company has staretd O&M for a 225 MW gas-based power plant in Bangladesh for which billing has started from July 2021.

High share of revenues from a few clients

With the company's gradual entry into higher capacity projects, a higher share of revenues are now coming from a few projects. The company's top five clients account for 70% of the TOI in FY20 up from 56% in FY20. Income from K.S.K. Mahanadi Power Company Private Limited (KSK) was the highest and contributed 32% (PY: 31%) of the total operating income in FY21. Some of the large clients have week credit profiles and under the Corporate Insolvency resolution process, though payments from them are being received on time currently as payments to OEG are covered under the monthly priority cash budgets. However, in FY22, the company has stopped business with one of the larger client in CIRP, which would ease down the concentration in FY22 to some extent. Going forward, timely collection of receivables from these projects would be highly critical as these account for a significant portion of the revenue.

Moderate profitability

The profitability levels of the company had moderated in FY19 and FY20 with lower overseas revenue and higher subcontracting expenses. However, with improvement in revenues and orders from larger sized plants, the company is now seeing improvement in margins in FY21 and H1FY22. At consolidated level, the company had reported PBIDT margin of 5.24% in FY21 and 4.91% in H1FY22 as against 2.17% in FY21 and 4.37% in FY20. Further, in the end of Q1FY22, the company's contract with one of the low-margin client, which was also a stressed asset, has come to an end. The PBILDT margins in Q2FY22 stood at 5.78% as against 2.85% in Q2FY21.

Exposure to group companies

The company has exposure to its one of the group companies, South Ganga Waters Technologies Pvt Ltd. (SGPL, rated 'CARE B+; Stable') by way of 8% redeemable preference shares (redeemable after 9 years) to the tune of Rs.11.25 crore (as on March 31, 2021). Apart from this, there is no further financial assistance extended to SGPL and adjusting for this, the overall gearing was 0.41x as on March 31, 2020 against unadjusted gearing of 0.53x.

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Dynamic and competitive nature of industry
O&M services in India are generally provided by companies involved in Erection, Testing and Commissioning (ETC) of power plants. OEG is not involved in commissioning of power plants. The company faces competition from the ETC service provider of that plant while bidding for an upcoming power plant. While bidding for an existing project, the competition is majorly from local small-scale players. Local players provide services at a cheaper cost than compared to OEG. The company leverages on its experience and expertise in handling various power plants while bidding for these contracts. The company has established itself and has significant presence in the 200 MW segment. The company has started to provide maintenance services to few power plant in 300 – 600 MW segments, where the competition is only with the Foreign Companies. The experience gained in the above project is expected to help the company to strategically shift from current sub 300 MW segment in the coming years. The ability of the company to remain competitive in this segment and continue to grow would be critical.

Prospects
Electricity demand in the country has increased rapidly and is expected to rise further in the years to come. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity is required. Operations and maintenance costs vary widely between different forms of power generation but form an important part of any power plant's business case. OEG predominantly provides O&M services to thermal power plants using various fuels and is also expanding its expertise into other renewable sources like solar power plants etc. The company is also further expanding its operations overseas to tap a wider market and is also expanding its capabilities to provide EPC and facility management services. The ability of the company to successfully diversify its operations and maintaining the prompt collection from clients post expanding into IPP space would remain key to its operations.

Liquidity: Adequate
The company receives a credit period of 30 days on domestic consumables purchase and imports consumables through Letter of Credit with a usance period of 120 days. The company provides a credit period of about 60 to 90 days to its clients. However, the company has improved its collections and has maintained average collection days less than 60 days in FY21 and H1FY22. Over the last two years, increase in cash flow from operating activities backed by improved collection period and creditor from sub-contracting expense reduced the working capital intensity. The average utilisation of the same over the past 12 month period ended October 2021 stood at 5%. The company’s working capital utilization reduced due to adequate cash in the system by way of mobilisation advance and prompt collection from receivables. OEG had a cash balance of Rs.57.97 crore as on March 31, 2021 out of which free cash and balance was Rs. 42.50 crore and had a cash balance of Rs. 57.53 crore as on September 30, 2021.

Analytical approach:
Consolidated . CARE has taken a consolidated view of OEG and its subsidiaries, Joint Venture and associate companies as they all are engaged in similar line of business and operates under common management

Name of the Company	Relationship	% of shares held
Pacific Technical Services India Limited	Subsidiary	98%
Maitech Engineering Private Limited	Subsidiary	70%
Shapoorji Pallonji & OEG Services Private Limited	Joint Venture	50%
Thoothukudi Renew Waters Private Limited	Associate	48%
OEG Bangladesh Limited	Subsidiary	88%

Applicable Criteria
Criteria on assigning outlook and credit watch to Credit Ratings
CARE’s Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Consolidation
Rating Methodology – Service Sector Companies
Financial ratios - Non-Financial Sector
Liquidity Analysis of Non-financial Sector Entities

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About the Company

Operational Energy Group India Private Limited (OIPL) was setup in the year 2002 by Mr. S Ramesh, an alumnus of IIM – Ahmedabad, to provide operations and maintenance services to power plant operators. Over the years, the company also diversified into generation of power through renewable sources like solar energy.

During FY16, power plant maintenance operations of OIPL was merged with Sri Balaganapathy Mills Limited (SBML, a family-owned entity that was not operational) with effect from April 01, 2013. Windmill and solar business was transferred to OEG Solar Energy Private Limited (OSPL). Subsequently, SBML was renamed as Operational Energy Group India Limited (OEG) and the company is listed in Metropolitan Stock Exchange of India Ltd.

Financial Performance: (Rs. crore)

For the period ended / as at March 31,	2019	2020	2021
	(12m, A)	(12m, A)	(12m, A)
Working Results			
Net Sales	197.96	224.40	315.01
Total Operating income	207.07	225.25	317.12
PBILDT	9.04	4.9	16.63
Interest	2.62	1.76	0.86
Depreciation	0.96	0.82	0.75
PBT	5.47	2.01	15.02
PAT (after deferred tax)	4.47	1.19	13.79
Gross Cash Accruals	5.55	2.40	13.90
Financial Position			
Equity Capital/Partners' Capital	13.04	13.04	13.04
Networth	37.55	39.81	52.18
Total capital employed	57.34	54.67	68.99
Key Ratios			
Growth			
Growth in Total income (%)	32.46	8.78	40.78
Growth in PAT (after deferred tax) (%)	-34.09	-73.31	1,048.87
Profitability			
PBILDT/Total Op. income (%)	4.37	2.17	5.24
PAT (after deferred tax)/ Total income (%)	2.16	0.53	4.35
ROCE (%)	13.13	6.95	23.81
Solvency			
Debt Equity ratio (times)	0.35	0.25	0.21
Overall gearing ratio(times)	0.54	0.38	0.32
Interest coverage(times)	3.45	2.78	19.34
Term debt/Gross cash accruals (years)	2.34	4.23	0.78
Total debt/Gross cash accruals (years)	3.66	6.27	1.21
Liquidity			
Current ratio (times)	1.3	1.3	1.30
Quick ratio (times)	1.29	1.29	1.29
Turnover			
Average collection period (days)	107	95	54
Average inventory (days)	0	1	1
Average creditors (days)	29	22	28
Operating cycle (days)	78	73	28

A: Audited / Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

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Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Details of rated facilities: Please refer Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-5

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	20.00	CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT*	12.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (29-Dec-20)	1)CARE BBB; Stable (03-Feb-20)	1)CARE BBB; Stable (29-Oct-18)
2	Non-fund-based - ST-BG/LC	ST**	20.00	CARE A3+	-	1)CARE A3 (29-Dec-20)	1)CARE A3 (03-Feb-20)	1)CARE A3 (29-Oct-18)

* Long Term; ** Short Term

Annexure-3: Details of Rated Facilities
1. Long Term Facilities
1.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Axis Bank Ltd.	12.00	Cash Credit
	Total	**12.00**	

Total Long Term Facilities : Rs.12.00 crore

2. Short Term Facilities
2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Axis Bank Ltd.	20.00	Bank Guarantee
	Total	**20.00**	

Total Short Term Facilities : Rs.20.00 crore

Total Facilities (1.A+2.A) : Rs.32.00 crore

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure-5: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

Contact us

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About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Annexure III

Press Release

Operational Energy Group India Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[3]	Rating Action
Long Term Bank Facilities	12.00 (Reduced from 18.00)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
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Total Bank Facilities	**32.00 (Rs. Thirty-Two Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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The ratings continue to derive strength from the vast experience of the promoters & long operational track record of the company in the power sector with a well-qualified O&M team, long-standing relationship the company enjoys with its customers with track record of renewal of contracts. The ratings are, however, constrained by high share of revenues from a few clients, exposure to group companies in the form of investments and the highly competitive nature of the industry.

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Detailed description of the key rating drivers

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Long standing relationship with customers with track record of renewal of contracts: The company has a long-standing relationship with most of its clients. The company generally enters into agreement for tenure of about 3-5 years with few long tenure contracts as well. Most of the customers have renewed their contracts many times in the past and have stayed with the company for long periods.

Well-qualified O&M team: Over the years, the company has developed a well-qualified team to carry out the O&M activities. Mr Natarajan S, CEO has around two decades of experience in power plant operations. The company employs its own employees in critical positions and outsources the day to day operations of the plant (physical labourers, housekeeping etc.). Apart from qualified employees, the company also has leverages on its experience of working with various power

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plants to guide the operators to adopt best practices used across the industry. The company has also setup a training academy OPTRA (OEG Power Engineers Training Academy) to provide training to fresh graduates in the field of power plant operations and inducts them into the company post their completion of training.

Consistent growth in the scale of operations: The company has reported almost 40% growth in revenue in FY21 driven by the growth in domestic O&M business. Growth in the last two years was largely contributed by the large ticket operations and maintenance contract of 3*600 MW thermal power plant of K.S.K. Mahanadi Power Company Private Limited (KSK) and 4*135 MW thermal power plant of Sai Wardha Power Generation Limited (SWPGL). The company had achieved a total operating income of Rs. 133.92 crore (PY: Rs.112.39 crore) and Rs.151.59 crore (PY: Rs.126.44 crore) at standalone and consolidated level respectively for the period H1FY22.

Key Rating Weaknesses

High share of revenues from a few clients: With the company's gradual entry into higher capacity projects, a higher share of revenues are now coming from a few projects. The company's top five clients account for 70% of the TOI in FY20 up from 56% in FY20. Income from K.S.K. Mahanadi Power Company Private Limited (KSK) was the highest and contributed 32% (PY: 31%) of the total operating income in FY21. Some of the large clients have week credit profiles and under the Corporate Insolvency resolution process, though payments from them are being received on time currently as payments to OEG are covered under the monthly priority cash budgets. However, in FY22, the company has stopped business with one of the larger client in CIRP, which would ease down the concentration in FY22 to some extent.

Moderate profitability: The profitability levels of the company had moderated in FY19 and FY20 with lower overseas revenue and higher subcontracting expenses. However, with improvement in revenues and orders from larger sized plants, the company is now seeing improvement in margins in FY21 and H1FY22. At consolidated level, the company had reported PBILDT margin of 5.24% in FY21 and 4.91% in H1FY22 as against 2.17% in FY21 and 4.37% in FY20. Further, in the end of Q1FY22, the company's contract with one of the low-margin client, which was also a stressed asset, has come to an end. The PBILDT margins in Q2FY22 stood at 5.78% as against 2.85% in Q2FY21.

Exposure to group companies: The company has exposure to its one of the group companies, South Ganga Waters Technologies Pvt Ltd. (SGPL, rated 'CARE B+; Stable') by way of 8% redeemable preference shares (redeemable after 9 years) to the tune of Rs.11.25 crore (as on March 31, 2021). Apart from this, there is no further financial assistance extended to SGPL and adjusting for this, the overall gearing was 0.41x as on March 31, 2020 against unadjusted gearing of 0.53x.

Dynamic and competitive nature of industry: O&M services in India are generally provided by companies involved in Erection, Testing and Commissioning (ETC) of power plants. OEG is not involved in commissioning of power plants. The company faces competition from the ETC service provider of that plant while bidding for an upcoming power plant. While bidding for an existing project, the competition is majorly from local small-scale players. Local players provide services at a cheaper cost than compared to OEG. The company leverages on its experience and expertise in handling various power plants while bidding for these contracts. The company has established itself and has significant presence in the 200 MW segment. The company has started to provide maintenance services to few power plant in 300 – 600 MW segments, where the competition is only with the Foreign Companies. The experience gained in the above project is expected to help the company to strategically shift from current sub 300 MW segment in the coming years. The ability of the company to remain competitive in this segment and continue to grow would be critical.

Prospects

OEG predominantly provides O&M services to thermal power plants using various fuels and is also expanding its expertise into other renewable sources like solar power plants etc. The company is also further expanding its operations overseas to tap a wider market and is also expanding its capabilities to provide EPC and facility management services. The ability of the company to successfully diversify its operations and maintaining the prompt collection from clients post expanding into IPP space would remain key to its operations.

Liquidity: Adequate

The company receives a credit period of 30 days on domestic consumables purchase and imports consumables through Letter of Credit with a usance period of 120 days. The company provides a credit period of about 60 to 90 days to its clients. However, the company has improved its collections and has maintained average collection days less than 60 days in FY21 and H1FY22. Over the last two years, increase in cash flow from operating activities backed by improved collection period

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and creditor from sub-contracting expense reduced the working capital intensity. The average utilisation of the same over the past 12 month period ended October 2021 stood at 5%. The company's working capital utilization reduced due to adequate cash in the system by way of mobilisation advance and prompt collection from receivables. OEG had a cash balance of Rs.57.97 crore as on March 31, 2021 out of which free cash balance was Rs. 42.50 crore and had a cash balance of Rs. 57.53 crore as on September 30, 2021.

Analytical approach:
Consolidated . CARE has taken a consolidated view of OEG and its subsidiaries, Joint Venture and associate companies as they all are engaged in similar line of business and operates under common management

Name of the Company	Relationship	% of shares held
Pacific Technical Services India Limited	Subsidiary	98%
Maitech Engineering Private Limited	Subsidiary	70%
Shapoorji Pallonji & OEG Services Private Limited	Joint Venture	50%
Thoothukudi Renew Waters Private Limited	Associate	48%
OEG Bangladesh Limited	Subsidiary	88%

Applicable Criteria
Criteria on assigning outlook and credit watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Consolidation
Rating Methodology – Service Sector Companies
Financial ratios - Non-Financial Sector
Liquidity Analysis of Non-financial Sector Entities

About the Company
Operational Energy Group India Private Limited (OIPL) was setup in the year 2002 by Mr. S Ramesh, an alumnus of IIM – Ahmedabad, to provide operations and maintenance services to power plant operators. Over the years, the company also diversified into generation of power through renewable sources like solar energy.
During FY16, power plant maintenance operations of OIPL was merged with Sri Balaganapathy Mills Limited (SBML, a family-owned entity that was not operational) with effect from April 01, 2013. Windmill and solar business was transferred to OEG Solar Energy Private Limited (OSPL). Subsequently, SBML was renamed as Operational Energy Group India Limited (OEG) and the company is listed in Metropolitan Stock Exchange of India Ltd.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (Prov.)
Total operating income	225.25	317.12	151.59
PBILDT	4.9	16.63	7.44
PAT	2.01	13.79	5.65
Overall gearing (times)	0.38	0.32	0.21
Interest coverage (times)	2.78	19.34	41.33

A: Audited / Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure 4

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Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	20.00	CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT*	12.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (29-Dec-20)	1)CARE BBB; Stable (03-Feb-20)	1)CARE BBB; Stable (29-Oct-18)
2	Non-fund-based - ST-BG/LC	ST**	20.00	CARE A3+	-	1)CARE A3 (29-Dec-20)	1)CARE A3 (03-Feb-20)	1)CARE A3 (29-Oct-18)

* Long Term; ** Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.