

November 12, 2014

Facilities	Amt (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA B-/Stable (Assigned)
Term Loan	4.00	SMERA B-/Stable (Assigned)
Working Capital Demand Loan	2.75	SMERA A4 (Assigned)
Bank Guarantee	2.75	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (**read as SMERA single B minus**) and '**SMERA A4**' (**read as SMERA A four**) to the Rs.12.50 crore bank facilities of Lustre Engineering Corporation (LEC). The outlook is '**Stable**'. The ratings are primarily constrained by the firm's small-scale operations and weak financial profile. The ratings are also constrained by the firm's high dependence on tender-based orders. The ratings factor in risks related to the firm's working capital-intensive operations and partnership constitution. However, ratings are supported by the firm's experienced management and comfortable gearing (debt-to-capital ratio).

LEC, established in 1951, is a Mumbai-based partnership firm engaged in undertaking contracts for maintenance and repair of power lines. LEC also undertakes installation of substations on turnkey basis. The firm caters to various divisions of Maharashtra State Electricity Transmission Corporation Limited (MSETCL). LEC has small-scale operations with revenues of Rs.5.29 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm is highly dependent on tender-based orders. LEC's weak financial profile is marked by net loss of Rs.0.46 crore in FY2013-14. The firm's non-operating income (from write back of sundry balances) has supported the net profits in FY2010-11, FY2011-12 and FY2012-13. LEC's working capital-intensive operations are evidenced by high gross current assets of 457 days and stretched collection period of 207 days in FY2013-14. The firm's financial risk profile is susceptible to withdrawal of capital, which is an inherent risk in partnership entities.

LEC benefits from its experienced management. Mr. Vikas B. Patharkar, partner of LEC, has around three decades of experience in the firm's line of business. LEC's gearing (debt-to-capital ratio) is comfortable at 0.66 times as on March 31, 2014.

Outlook: Stable

SMERA believes LEC will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while achieving a comfortable liquidity position and satisfactory capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the firm

LEC was established as a proprietorship concern in 1951 and reconstituted as a partnership firm in 2002. LEC undertakes contracts for maintenance and repair of power lines. The firm also undertakes installation of substations on turnkey basis. Further, LEC plans to commence manufacturing of transformers in November 2014.

For FY2013-14, LEC reported net loss of Rs.0.46 crore on total income of Rs.5.29 crore, as compared with net profit of Rs.1.00 crore on total income of Rs.10.43 crore in FY2012-13. The firm registered revenues of Rs.2.50 crore (provisional) during April 2014 to September 2014. LEC's capital stood at Rs.12.06 crore as on March 31, 2014, as compared with Rs.13.25 crore a year earlier.

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