



SMERA RATINGS LIMITED

Statcon Energiaa Private Limited (SEPL)

Rating Rationale

October 30, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit (Proposed)	4.00	SMERA BB-/Stable (Assigned)
Bank Guarantee (Proposed)	6.00	SMERA A4+ (Assigned)
Letter of Credit (Proposed)	2.50	SMERA A4+ (Assigned)
Proposed Fund Based facility	1.50	SMERA BB-/Stable (Assigned)

SMERA has assigned a long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Statcon Energiaa Private Limited (SEPL). The outlook is '**Stable**'. The aforesaid ratings derive strength from the experience of the promoters, extensive distribution network and available marketing support. The ratings also draw support from the healthy order book of Rs.27.00 crore. However, the ratings are constrained by the company's high dependence on tender-based business in an intensely competitive segment of the power solution business. The ratings are further constrained by the limited track record of SEPL in executing orders post the split of business between SEPL and Statcon Power Control Ltd. (SPCL).

SPCL, established in 1994 had its presence in five business activities viz integrated power solutions for Indian railways, solar, defence and power industries. The company also trades in batteries.

In 2014-15, the management of the company decided to split the companies with the first line of business viz integrated power solutions for Indian Railways to be retained by SPCL and managed solely by Mr. Saini. The remaining four (integrated power solutions for solar, power and defence with trading of batteries) were to be transferred to SEPL to be managed by Mr. Pande. This transfer of businesses is expected to be concluded once the demerger of SPCL gets completed over the next 12-18 months.

The orders executed in the meanwhile for these businesses through Mr. Pande (SEPL) will be transferred to SEPL gradually in 12-18 months once the demerger happens.

SMERA believes, that the management's ability to ramp up revenues in SEPL, while tying up bank funding in a timely manner to support operations, will continue to remain the key rating sensitivity factor.

Outlook: Stable

SMERA believes SEPL will maintain a stable business risk profile over the medium term. The company will benefit from the extensive distribution network and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in

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revenues and net cash accruals. Conversely, the outlook may be revised to 'Negative' if the company is unable to ramp up its scale of operations or there are delays in funding tie ups.

Rating Sensitivity Factors

- Ability to ramp up scale of operations and tie-ups for funding in SEPL
- Sustained improvement in the scale of operations while improving profitability margins

About the Company

SEPL, incorporated in 1991, is a Delhi-based company that provides power supply solutions to defence, solar and power industries. The company also trades in batteries. SEPL commenced operations in 2014-15 and is headed by Mr. Pande.

For FY2014-15, SEPL reported profit after tax (PAT) of Rs.0.28 crore on net sales of Rs.6.71 crore. The net worth stood at Rs.1.04 crore as on March 31, 2015.

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