

Press Release

Statcon Energiaa Private Limited (SEPL)

01 February, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.35.00 Cr (Enhanced from Rs. 14.00 Cr)
Long Term Rating	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating assigned on the Rs.35.00 crore long term bank facilities of Statcon Energiaa Private Limited (SEPL) to '**SMERA BB**' (read as SMERA double B) from SMERA BB- (read as SMERA double B minus) and reaffirmed the short term rating of '**SMERA A4+**' (read as SMERA A four plus). The outlook is '**Stable**'.

SEPL provides power supply solutions (inverters, battery chargers and batteries) to defence, solar and the power industry. In FY2014-15, the management of Statcon Power Control Limited (SPCL) decided to enter into a scheme of demerger. Under this scheme, the railways related business is being retained by SPCL whereas the remaining four (integrated power solutions for solar, power and defence with trading of batteries business) is being transferred to SEPL.

As per orders of the Hon'ble High Court, a transfer undertaking has been created in the current financial year. All revenues, expenses, assets and liabilities for the last two financial years for SPCL's non-railway business has been transferred to the transfer undertaking's books. Eventually these will be merged with SEPL once the scheme of demerger is duly approved by the Registrar of Companies. SMERA has thus taken a combined view of the standalone financials of SEPL with the financials of the non-railway business of SPCL (the transfer undertaking).

List of key rating drivers and their detailed description

Strengths:

Comfortable financial risk profile: SEPL has maintained a conservative gearing of 0.45 times as on 31 March, 2016 against 0.56 times as on 31 March, 2015. The Debt-to-EBITDA ratio also remained low at 1.99 times in FY2016 against 2.17 times in FY2015. The improvement in gearing is primarily on account of increase in internal accruals and decline in long term borrowings of the company. The expected merger of the transfer undertaking is expected to further improve the debt-equity ratio.

On account of the healthy gearing, SEPL reported comfortable debt protection metrics. The Interest Coverage Ratio of the company stood at 2.78 times in FY2016 as against 2.93 times in FY2015. Though the DSCR declined in FY2016 to 1.16 times, it is expected to improve in FY2017 and remain healthy in FY2018 on account of low repayment obligations.

Experienced management: The ratings continue to draw comfort from the extensive experience of the promoters in the power supply solution business. Mr. Manoj Pande has been in the business for over 15 years. SMERA believes that SEPL will continue to benefit from the promoter's longstanding relationships with marquee clients and suppliers.

Weaknesses:

Modest profitability indicators: SEPL reported moderate EBITDA margin of 6.08 per cent in FY2016 as against 7.81 per cent in FY2015. The profitability margins remain exposed to variation due to fluctuations in demand supply dynamics and the highly competitive nature of business.

High gross current asset (GCA) days: SEPL also reported high Gross Current Asset days of 245 in FY2016 against 290 days in FY2015 on account of delays in receipt of payment from government entities. However, risks emanating from the working capital intensive operations are partially offset by the modest bank limit utilisation of 75.20 per cent in the six months ended October, 2016.

Exposure to regulatory risks: The ratings are constrained by delays in transfer of statutory approvals from SPCL to SEPL. Any delay in execution of the scheme of demerger and the subsequent transfer of approvals can adversely impact operating cash flows of SEPL.

Analytical approach: SMERA has taken a standalone view of the financial and business risk profiles of SEPL.

Applicable Criteria

- Manufacturing Entities: <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that SEPL will maintain a stable outlook over the medium term on account of its experienced management and prudent financial risk profile. The outlook may be revised to 'Positive' in case of sustained increase in scale of operations coupled with decline in GCA days. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the debt protection metrics and/or adverse changes in government regulations.

About the Rated Entity

The Delhi-based SEPL, (the erstwhile Triport Electronics Private Limited) was incorporated in 2009 by Mr. Manoj Pande and commercial operations commenced in March, 2015. The company assembles battery chargers for Bharat Heavy Electricals Ltd, Alstom Project India Ltd, ABB Ltd, and ground power units of the Indian Air Force. The company is also engaged in the assembling of solar inverters and solar rooftop panels (photo-voltaic). SEPL is the sole authorised distributor of industrial batteries for Exide Batteries.

In FY2016, SEPL reported consolidated PAT (profit after tax) of Rs.2.28 crore on operating income of Rs.89.40 crore against PAT of Rs.0.54 crore on operating income of Rs.67.94 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: N.A.

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	8.00 (Enhanced from Rs. 4.00 crore)	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)	-	-	-	-	-	-
Proposed Cash Credit	LT	-	-	30 Oct, 2015	SMERA BB-/Stable (Assigned)	-	-	-	-
Proposed Fund Based Facilities	LT	18.50 (Enhanced from Rs. 1.50 crore)	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)	30 Oct, 2015	SMERA BB-/Stable (Assigned)	-	-	-	-
Letter of Credit	ST	2.50	SMERA A4+ (Reaffirmed)	-	-	-	-	-	-
Bank Guarantee	ST	6.00	SMERA A4+ (Reaffirmed)	-	-	-	-	-	-
Proposed Bank Guarantee	ST	-	-	30 Oct, 2015	SMERA A4+ (Assigned)	-	-	-	-
Proposed Letter of Credit	ST	-	-	30 Oct, 2015	SMERA A4+ (Assigned)	-	-	-	-

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	8.00 (Enhanced from Rs. 4.00 crore)	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Proposed Fund Based Facilities	N.A	N.A	N.A.	18.50 (Enhanced from Rs. 1.50 crore)	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Letter of Credit	N.A	N.A	N.A.	2.50	SMERA A4+ (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A.	6.00	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Mr. Arindam Som, Rating Analyst, Tel: 011-49731321 Email: arindam.som@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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.