September 03, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BB/Stable (Assigned)
Bank Guarantee	54.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB' (read as SMERA double B)** to the Rs. 2.00 crore long-term (fund based) bank facility, and **'SMERA A4+' (read as SMERA A four plus)** to the Rs.54.00 crore short-term (non-fund based) bank facility of Mohan Energy Corporation Private Limited (MECPL). The outlook is **'Stable'**. The ratings derive comfort from the company's moderate financial risk profile, comfortable liquidity position, experienced management and established relations with customers and suppliers. However, the ratings are constrained by the company's working capital-intensive operations and exposure to intense competition. The ratings are also constrained by the company's high dependence on tender-based orders.

MECPL, incorporated in 2006, is a New Delhi-based company engaged in the business of laying transmission lines, setting up power sub-stations and renewable allied work. The company operates mainly in African countries such as Ghana, Angola, Mozambique, Mali, Gambia to name a few. MECPL's moderate financial risk profile is marked by leverage (debt-equity ratio) of 1.18 times as on March 31, 2014 and interest coverage ratio of 3.81 times in FY2013–14 (refers to financial year, April 01 to March 31). The leverage of the company stands at around 0.70 times (provisional) with interest coverage ratio of 3.37 times (provisional) for the period 2014-15. The company's comfortable liquidity position is evidenced by low utilisation (44 per cent) of working capital limits during July 2014 to March 2015.

MECPL benefits from its experienced management and established relations with customers and suppliers. Mr. Mohan Puri, the Managing Director, has around three decades of experience in the company's line of business. MECPL's operations are working capital-intensive, as reflected in the gross current assets (GCA) of 175 days and collection period of 86 days in FY2013–14. Besides, the company is highly dependent on tenders floated by government entities.

Outlook: Stable

SMERA believes MECPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's profitability or significant deterioration in the company's capital structure and liquidity position.

About the Company

MECPL is engaged in the business of laying of transmission lines, setting up power sub-stations and entering into contracts for renewable power projects. The company undertakes turnkey projects in electricity generation and sets up sub-stations for power distribution. Additionally, the company also undertakes solar electrification and supplies related equipment. The company mainly operates in African countries such as Ghana, Angola, Mozambique, Mali, Gambia among others.

MECPL reported profit after tax (PAT) of Rs.9.10 crore on operating income of Rs.237.77 crore for FY2013–14, as compared with PAT of Rs.0.72 crore on operating income of Rs.30.01 crore for FY2012–13. The company booked operating income of Rs.108.54 crore (provisional) in FY2014-15. MECPL's net worth stood at Rs.37.90 crore (provisional) in 2014-15 as against Rs.29.74 crore a year earlier.

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