

Mohan Energy Corporation Private Limited (Reaffirmed)

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit *	2.00	SMERA BB/Stable (Reaffirmed)
Bank of Guarantee	15.00 (reduced from Rs.30.00 crore)	SMERA A4+ (Reaffirmed)
Letter of Credit	15.00	SMERA A4+ (Assigned)
Non-fund based facilities#	24.00	SMERA A4+ (Reaffirmed)

* includes sublimit of packing credit of Rs. 1 crore, Bills of Negotiation (DP) of Rs.0.50 crore and Foreign Bills of Negotiation of Rs. 0.50 crore

includes sublimit of Bank Guarantee of Rs. 20.00 crore and Letter of Credit of Rs. 4.00 crore

SMERA has reaffirmed ratings of '**SMERA BB**' (**read as SMERA double B**) on the Rs.2.00 crore long-term (fund-based) bank facility and '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.39.00 crore short-term (non-fund-based) bank facilities of Mohan Energy Corporation Private Limited (MECPL). Further, SMERA has also assigned rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.15.00 crore bank facility. The outlook continues to remain '**Stable**'.

The ratings continue to draw comfort from the experienced management, moderate financial risk profile and established operations. The ratings also note the long term relations of the company with customers and suppliers. However, the ratings continue to be constrained by the capital intensive operations and exposure to intense competition in the electrification industry. The ratings are also weakened by the high dependence on tender-based orders.

Update

For FY2015-16, (refers to financial year, April 01 to March 31), MECPL has registered net profit of Rs.8.41 crore on operating income of Rs.117.86 crore as against net profit of Rs.3.99 crore on operating income of Rs.109.64 crore in FY2014-15. The financial risk profile continues to remain moderate to healthy marked by leverage (debt-equity ratio) of 0.85 times as on March 31, 2016 against 0.85 times during the previous year. The company reported strong interest coverage ratio of 3.70 times (provisional) in FY2015-16 as compared to 3.00 times in FY2014-15 (refers to financial year, April 01 to March 31).

MECPL benefits from its experienced management. Mr. Mohan Puri, Director, has more than 30 years of experience in the company's line of business. Besides, the management has healthy relations with its customers and suppliers.

However, the operations are capital intensive evident from the gross current assets (GCA) of 335 days (provisional) as on March 31, 2016. Besides, it faces intense competition from several players in the industry.

Outlook: Stable

SMERA believes that MECPL will maintain a stable outlook and continue to benefit over the medium term from its established track record, diversification and extensive experience of the management. The outlook may be revised to 'Positive' if the company increases its customer base without deterioration in the capital structure and profitability. Conversely, the outlook may be revised to 'Negative' if the company takes on large capex and if the working capital limits are stretched.

Rating Sensitivity Factors

- Improvement in revenue and profitability
- Efficient working capital
- Large debt funded capital expansion

About the Company

MECPL undertakes turnkey projects in the power sector. The company provides services related to laying of transmission lines and setting up power sub-stations. Further, it also undertakes solar electrification and wind power projects. MECPL reported profit after tax (PAT) of Rs.3.99 crore on operating income of Rs.109.64 crore for FY2014-15, as compared with PAT of Rs.9.10 crore on operating income of Rs.237.77 crore for FY2013-14. As per provisional financials for FY2015-16, the company reported PAT of Rs.8.41 crore on operating income of Rs.117.86 crore. The net worth stood at Rs.39.76 crore (provisional) in FY2015-16 (refer to financial year, April 01 to March 31) as against Rs.32.26 crore a year earlier.

Rating History

Date	Name of the Instruments	Amount	Ratings		Outlook
		(Rs. Crore)	Long Term	Short Term	
03 Sept, 2015	Cash Credit	2.00	SMERA BB (Assigned)	-	Stable
	Bank Guarantee	54.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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