

Press Release

Plaza Power and Infrastructure Company

09 October, 2017



Rating Upgraded

Total Bank Facilities Rated*	16.00Cr.
Long Term Rating	SMERA BB /Stable (Upgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4+ (Upgraded from SMERA A4)

*Refer annexures for details

SMERA has upgraded the long term rating and the short term rating on the Rs. 16.00 crore bank facilities of Plaza Power and Infrastructure Company (PPIC) to '**SMERA BB**' (**read as SMERA double B**) and '**SMERA A4+**' (**read as SMERA A Four plus**) from '**SMERA BB-**' (**read as SMERA double B minus**) and '**SMERA A4**' (**read as SMERA A four**). The outlook is '**Stable**'.

The upgrade is in view of the improvement in profitability margins along with unexpected growth in revenues. SMERA believes that going ahead, the company will maintain stable profitability margins along with increasing revenue trend over the medium term.

PPIC, established in 2009 by Mr. Sanjay Gupta is a proprietorship concern engaged in the manufacture of solar PV modules at Baddi, Himachal Pradesh. The annual installed capacity stands at 20.00 MW.

Key rating drivers

Strengths

Experienced management:

PPIC is part of the New Delhi-based Plaza Cables Group of companies established in 1934 by Mr. Bhim Sain Gupta. Mr Sanjay Gupta, the promoter of PPIC, has around 25 years of experience in wire manufacturing.

Moderate financial risk profile:

The financial risk profile of PPIC has remained average marked by low net worth of Rs.6.52 crore as on March, 2017 (Provisional) which includes unsecured loans of Rs. 2.09 crore considered as quasi equity. The networth stood at Rs. 5.65 crore as on 31 March, 2016. The gearing stood at 1.00 times as on March, 2017 (Provisional) as against 0.93 times in the previous year. The total debt of Rs. 6.55 crore outstanding as on 31 March, 2017 comprises Rs. 0.32 crore as vehicle loan and Rs. 6.23 crore as working capital facility. The Interest coverage ratio (ICR) is comfortable at 2.44 times in FY2017 (Provisional) as against 2.12 times in FY2016. The DSCR stood at 2.18 times in FY2017 (Provisional) as against 2.12 times in FY2016.

The net cash accruals stood at Rs. 1.71 crore in FY2017 (Provisional) as against Rs. 1.26 crore in FY2016. The net cash accruals/total debt stood at 0.26 times in FY2017 (Provisional) as against 0.24 times in FY2016.

Improvement in profitability margins:

The profitability margins show an increasing trend during the period under study. The EBITDA margins stood at 10.47 percent in FY2017 (Provisional) as against 10.31 percent in FY2016 and 9.84 percent in FY2015. The margins improved on account of decrease in raw material prices.

The PAT margins improved to 4.77 percent in FY2017 (Provisional) as against 4.03 per cent in FY2016.

Weaknesses**Working capital intensive operations:**

The operations are working capital intensive marked by high GCA days of 175 in FY2017 (Provisional) as against 155 in FY2016. This is on account of high inventory holding period of 99 days in FY2017 (Provisional) as against 55 days in FY2016. The debtor days improved to 78 in FY2017 (Provisional) as against 98 in FY2016. The creditor days are also stretched at 61 days in FY2017 (Provisional) as against 27 days in FY2016. The working capital cycle days stood at 116 days in FY2017 (Provisional) as against 126 days in FY2016. The bank limit utilisation stood at around ~95 per cent for the last six months ended August 2017.

Moderate scale of operations:

The operations of PPIC are moderate during the period under study. The revenues have grown at a CAGR of 7.57 per cent from FY2015 to FY2017. The operating income stood at 27.06 crore in FY2017 (Provisional) as against Rs. 22.41 crore in FY2016 and Rs. 21.74 crore in FY2015.

Intense market competition:

The company is exposed to intense competition in the industry from cheaper products leading to pressure on margins going ahead.

Analytical approach: SMERA has considered the standalone business and financial risk profile of PPIC to arrive at the rating.

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Outlook - Stable

SMERA believes that PPIC will maintain a stable outlook and continue to benefit over the medium term on account of the company's established market position in the industry and extensive experience of promoters. The outlook may be revised to 'Positive' in case the company registers substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure resulting from considerable equity infusion by its promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

In FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.1.29 crore on operating income of Rs.27.06 crore as against net profit of Rs.0.90 crore on operating income of Rs.22.41 crore in the previous year. The tangible net worth stood at Rs. 4.44 crore as on 31 March, 2017 (Provisional) as against Rs. 3.66 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
10 Aug, 2016	Cash Credit*	Long term	7.00	SMERA BB-/Stable (Reaffirmed)
	Term loan	Long term	0.45	SMERA BB-/Stable (Reaffirmed)
	Letter of Credit**	Short term	3.00	SMERA A4 (Reaffirmed)
	Bank Guarantee	Short term	5.25	SMERA A4 (Reaffirmed)
	Proposed Long term loan	Long term	0.30	SMERA BB-/Stable (Assigned)
23 Oct, 2015	Cash Credit*	Long term	5.25	SMERA BB-/Stable (Assigned)
	Term loan	Long term	0.94	SMERA BB-/Stable (Assigned)
	Letter of Credit**	Short term	2.50	SMERA A4 (Assigned)
	Bank Guarantee	Short term	1.00	SMERA A4 (Assigned)

*Aggregate exposure of PC/FDPB/FUDBP should not exceed Rs. 0.50 crore

**One way interchangeably from LC to BG within overall limit of non-fund based facility availed.

***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	7.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Term loan	N.A	N.A	N.A	0.45	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Letter of Credit	N.A	N.A	N.A	3.00	SMERA A4+ (Upgraded from SMERA A4)
Bank Guarantee	N.A	N.A	N.A	5.25	SMERA A4+ (Upgraded from SMERA A4)
Proposed Long term loan	N.A	N.A	N.A	0.30	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)

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ABOUT SMERA

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