

Press Release

Centex Fabrics-Export Unit (CFEU)

23 May, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.00 Cr
Long Term Rating	SMERA BB-/Stable (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-' (read as SMERA double B minus)** on the above mentioned bank facilities of Centex Fabrics Exports units (CFEU). The outlook is '**Stable**'.

CFEU, established in 1969 is a Punjab-based proprietorship concern managed by Mr. Vineet Sood. The firm is engaged in the generation of solar and wind power.

List of key rating drivers and their detailed description

Strengths:

Stable revenue visibility on account long standing power purchase agreement: The firm has stable revenue visibility on the back of long term power purchase agreement (PPA) of 25 year with Tamil Nadu government for purchasing 1.25 MW and with Pratibha Textile Limited for purchasing 1.25 MW.

Conservative financial risk profile: The conservative financial risk profile of the firm is marked by healthy gearing of 0.77 times as on March 2016 as compared to 1.59 times as on March 2015. The improvement in gearing is primarily on account of significant increase in networth driven by healthy internal accruals and decline in total debt of the company. The networth of the firm stood at Rs. 13.52 cr on 31 March, 2016 as against Rs. 9.12 cr on 31 March, 2015 while the total debt declined to Rs. 10.39 cr on 31 March, 2016 vis-à-vis Rs. 14.51 cr as on 31 March, 2015. The interest coverage ratio of the firm has improved on account of improvement in profitability margin and has remained comfortable at 2.41 times in FY2016 as compared to 2.20 times in FY2015.

Weaknesses:

Competition from small and established players in the industry: CFEU operates in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers. Further the declining in market tariff could adversely affect the business risk profile of the firm.

Exposure to Regulatory & Event Risk: CFEU is exposed to risks associated with the regulatory environment surrounding the solar power industry. In case solar power prices decline further in the state, the PPA counterparties may choose to withdraw from the PPA. SMERA also notes that other regulatory and political changes, including stability of government policy in the state will continue to remain key credit issues for CFEU.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the firm.

Applicable Criteria:

- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that CFEU will maintain a 'Stable' risk profile on account of experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of enforcement of long term Power Purchase Agreements and infusion of funds by the promoters along with a substantial decline in operating costs. The outlook may be revised to 'Negative' in case of any adverse change in government policy resulting to significant decline in business risk profile of the firm or/and in case of significant increase in gearing.

About the rated

For FY2015-16, the firm reported net profit of Rs.1.05 crore on operating income of Rs.3.86 crore as compared with net profit of Rs.0.91 crore on operating income of Rs.3.95 crore in FY2014-15. The net worth stood at Rs.13.52 crore as on March 31, 2016 against Rs.9.12 crore a year earlier.

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

Any other information: Not Applicable

Rating History for the last three years:

Facilities	Scale	FY 2018		FY 2017		FY 2016		FY 2015	
		Amount Rs. Crore	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan – I	LT	2.00	SMERA BB-/Stable (Reaffirmed)	20 th Jan 2016	SMERA BB-/Stable (Assigned)	-	-	-	-
Term Loan – II	LT	5.00	SMERA BB-/Stable (Reaffirmed)	20 th Jan 2016	SMERA BB-/Stable (Assigned)	-	-	-	-
Proposed Loan Term facility	LT	5.00	SMERA BB-/Stable (Reaffirmed)	20 th Jan 2016	SMERA BB-/Stable (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
Term Loan – I	N.A	N.A	N.A	2.00	SMERA BB-/Stable (Reaffirmed)
Term Loan – II	N.A	N.A	N.A	5.00	SMERA BB-/Stable (Reaffirmed)
Proposed Loan Term facility	N.A	N.A	N.A	5.00	SMERA BB-/Stable (Reaffirmed)

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

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