

April 20, 2016

Facilities	Amount (Rs. Crore)	Ratings
Open Cash Credit (OCC) / Overdraft Against Book Debts (ODBD)	6.50	SMERA BB-/Stable (Assigned)
Term Loan	0.20	SMERA BB-/Stable (Assigned)
Inland Letter of Credit (ILC)	3.00	SMERA A4+ (Assigned)
Bank Guarantee	3.00	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.12.70 crore bank facilities of Telawne Power Equipments Private Limited (TPEPL). The outlook is '**Stable**'.

The ratings draw comfort from the company's healthy revenue growth and extensive industry experience of the promoter. The ratings also factor in the healthy relations with customers and suppliers and comfortable debt protection metrics. However, the ratings are constrained by the working capital intensive operations, susceptibility of operating margins to volatility in raw material prices and the highly competitive transformer industry. The ratings also note the high reliance of the company on external borrowings as reflected by estimated Total Outside Liability/Tangible Net Worth Ratio of around 4.5 times as on March 31, 2016.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Efficient working capital management
- Improvement in the capital structure
- Future capital expenditure plans and its funding mix thereof

Outlook: Stable

SMERA believes that the company will continue to benefit over the medium term from its promoters' extensive industry experience and healthy relations with customers and suppliers. The outlook may be revised to 'Positive' if the company generates substantial and sustainable revenues or operating margins. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further deteriorates resulting in weakening of the financial risk profile particularly liquidity.

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.

About the Company

TPEPL, established in 1987 is engaged in the manufacture of transformers at Navi Mumbai. The company has an installed capacity to manufacture over 100 MVA transformers per annum. The day-to-day operations of the company are managed by Mr. Rakesh Sudhakar Telawne, Director.

For FY2014-15, TPEPL reported profit after tax (PAT) of Rs.0.60 crore on operating income of Rs.41.96 crore as against PAT of Rs.0.00 crore (i.e. Rs. 0.0003 crore) on operating income of Rs.29.03 crore a year earlier.

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