

Press Release

TELAWNE POWER EQUIPMENTS PRIVATE LIMITED

March 13, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 12.70 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 12.70 crore bank facilities of TELAWNE POWER EQUIPMENTS PRIVATE LIMITED. The outlook is '**Stable**'.

Initially established in the year 1987 as a proprietorship concern by Late. Mr. Sudhakar Telawne in the name of Telawne Cromptek. Later in the year 2004 the constitution and name changed to Telawne Power Equipments Private Limited (TPEPL) and with Mr. Rakesh Telawne (son of Mr. Sudhakar) joining the company as director. TPEPL is engaged into manufacturing of various types of transformers upto 50 MVA, 132 KV class with a capacity to produce over 100 MVA transformers per annum in assorted sizes. The company carries out its entire manufacturing operations in Navi-Mumbai, Maharashtra.

Key Rating Drivers

Strengths

- **Experienced Management and established track record of operations:**

The company was initially formed by Late Mr. Sudhakar Telawne who had experience of over 17 years with renowned transformer manufacturer i.e. Crompton Greaves Limited prior to establishment of 'Telawne Cromptek'. Later in the year 2004, he introduced his son Mr. Rakesh Telawne [B.E. from VJTI (Mumbai)] into the business and he is presently handling the entire day to day operations of the company. Over the years being into similar line of business since last four decades, the promoters of the company have gained significant industry insight. SMERA believes that the company would sustain its existing business risk profile over the medium term on the back of its promoter's extensive industry experience. Further, the company is having unexecuted order book position of Rs.75.00 crore as on date. The company achieved about Rs.53.00 crore of revenue till December 2017.

Weaknesses

- **Working Capital intensive nature of operations**

The operation of the company is working capital intensive in nature marked by gross current asset (GCA) days of 168 days as on 31st March 2017 as against 124 days in the previous year. The reason for the same is majorly on account of increase of inventory days to 112 days as on 31st March 2017 against 70 days in the previous year. The debtor days stood at 48 days as on 31st March 2017 as against 50 days in the previous.

- **Average Financial risk profile**

The company is having average financial risk profile marked by low net worth, average gearing and moderate debt protection matrix. The net worth stood at Rs.5.35 crore as on 31st March 2017 as against Rs.4.88 crores in the previous year. The gearing stood at 1.48 times as on 31st March 2017 as against 1.34 times in the previous year. The total debt of Rs.7.00 crore consists of long term debt of Rs.0.41 crore, unsecured loans from the promoters of Rs.1.00 crore and short term borrowings of Rs.6.49 crores. The interest coverage ratio stood at 2.01 times in FY2017 as against 3.49 times in the previous year.

• **Susceptibility of its operating margins to volatile raw material prices**

The operating margins of the company are susceptible to volatile raw material prices.

• **Operating in highly competitive and fragmented industry**

The company is operating in highly competitive and fragmented industry.

Analytical Approach

SMERA has considered standalone financials of the company

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term due to experienced management. The outlook may be revised to 'Positive' if the turnover increases. Conversely, the outlook may be revised to 'Negative' if the revenues are lower than expected or deterioration in financial profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	51.19	56.87	41.96
EBITDA	Rs. Cr.	2.94	4.51	3.17
PAT	Rs. Cr.	0.50	1.86	0.60
EBITDA Margin	(%)	5.75	7.93	7.55
PAT Margin	(%)	0.98	3.26	1.43
ROCE	(%)	19.17	41.65	64.77
Total Debt/Tangible Net Worth	Times	1.48	1.34	2.07
PBDIT/Interest	Times	2.01	3.49	1.74
Total Debt/PBDIT	Times	2.52	1.45	2.09
Gross Current Assets (Days)	Days	168	124	151

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Aug-2017	Cash Credit	Long Term	INR 6.5	SMERA BB-
	Term Loan	Long Term	INR 0.2	SMERA BB-
	Letter of Credit	Short Term	INR 3	SMERA A4+
	Bank Guarantee	Short	INR 3	SMERA A4+

		Term		
20-Apr-2016	Cash Credit	Long Term	INR 6.5	SMERA BB- / Stable
	Term Loan	Long Term	INR 0.2	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 3	SMERA A4+
	Bank Guarantee	Short Term	INR 3	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4

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ABOUT SMERA

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