Press Release

Pan India Utilities Distribution Company Limited

March 06, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 215.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' **(read as SMERA BBB)** on the Rs. 215.00 crore bank facilities of Pan India Utilities Distribution Company Limited. The outlook is **'Stable'**.

Pan India Utilities Distribution Company Limited (PIUDCL), incorporated in 2012, is a Mumbai-based EPC contractor for Essel group's wind and solar power projects. The company is a wholly owned subsidiary of Pan India Infraprojects Private Limited (PIIPL) and part of the Essel Group promoted by Mr. Subash Chandra. As per the arrangement, the SPVs of Essel Infraprojects Limited (EIL), a flagship company of the Essel group in the infrastructure sector, will bid for projects. The awarded projects will be subcontracted (entire or part of it) to PIUDCL which in turn will subcontract to third parties.

Key Rating Drivers

Strengths

- **Experienced promoter group**
  The promoters have over two decades of experience in the Infrastructure business through EIL in solar, wind, hydro power, water distribution, municipal solid waste (MSW) management and road projects. PIUDCL is strategically important for Essel group. PINIL functions as the EPC aggregator for EIL's wind and solar power projects. As per the group arrangement, the SPVs of EIL will bid for projects and once the projects are awarded, the same would be subcontracted (all or part of it) to PIUDCL which in turn subcontracts to third parties. Thus PIUDCL will continue to play a pivotal role in Essel group's infrastructure initiatives.

- **Healthy order book position**
  For 9MFY2016-17 (provisional), PINIL has reported net sales of Rs. 125.00 cr. PIUDCL has healthy order book of Rs. 2,278.00 cr for wind and solar power projects which are to be executed by 2019. The strong order book position provides revenue visibility for the medium term.

- **Ongoing support from group companies**
  PIIL, an Essel group company holds 100 per cent stake in PIUDCL. Apart fom equity share capital, the promoters and other group companies have supported PIUDCL by way of preference shares and unsecured loans from time to time. Other than infusion of funds, the promoters have also supported the borrowings of PIUDCL through guarantees and pledge of shares. The credit facilities of PIUDCL are secured by corporate guarantee and pledge of shares of key companies of Essel group. The backing of Essel group has significantly enhanced the resource raising ability of PIUDCL and strengthened its credit profile. Further, PIUDCL will derive its business from EIL, thus there will be continuous support operationally as well as financially. SMERA believes that the Essel group will continue to support PIUDCL, as the infrastructure sector is one of the key thrust areas for the group.

Weaknesses

- **Susceptibility of operating performance to timely receipt and execution of orders**

PINIL is present in hydro power, water distribution and municipal Solid Waste (MSW) disposals segments which are focus areas for the government. Hence, PIUDCL also faces significant competitive pressures from other players. Most of these projects are awarded through competitive bidding. Hence, the revenues and profitability are dependent on timely receipt of orders. PNIL has strong execution capabilities, a prerequisite for qualifying in the bidding process. However, timely execution of projects depends on extraneous factors such as receipt of approvals from the government, availability of funding and other resources. Apart from execution, delays in realisation of receivables from counterparties can also prove to be challenging and impact the operating cash flows of EPC contractors. SMERA believes that PIUDCL will be able to mitigate most of these risks by virtue of its established position. However, the company's credit profile remains vulnerable to events like slowdown in receipt of orders or delinquencies in respect of major receivables.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of PIUDCL along with ongoing financial and business support of the Essel group.

Outlook: Stable

SMERA believes that PIUDCL will continue to benefit over the medium term on account of its established track record of promoters. The outlook may be revised to Positive in case the company registers higher-than-expected revenue and improved profitability while maintaining financial risk profile and liquidity position. Conversely, the outlook may be revised to Negative in case of steep decline in revenue and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements or lack of funding support from group companies.

About the Rated Entity - Key Financials

For FY2015-16, PIUDCL registered PAT of Rs. 1.47 cr on revenue of Rs. 91.60 cr, as compared with PAT of Rs. 1.39 cr on revenue of Rs. 126.16 cr in FY2014-15. The net worth stood at Rs.79.33 cr as on March 31, 2016 as compared to Rs. 77.39 cr in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Infrastructure Entities - https://www.smera.in/criteria-infra.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	1-Sep-2021	215.00	SMERA BBB / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Sheetal Patankar Rating Analyst Tel: 022-67141153 sheetal.patankar@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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