

Press Release

Pan India Utilities Distribution Company Limited (PIUDCL)

30 December, 2017



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs.335.00 Cr
Long Term Rating	SMERA BBB/Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed and assigned long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) on the Rs. 335.00 crore bank facility of Pan India Utilities Distribution Co. Limited (PIUDCL). 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. PIIPL 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.

• Ongoing support from group companies

PIIPL, an Essel group company holds 100 per cent stake in PIUDCL. Apart from equity share capital, the promoters and other group companies have supported PIUDCL by way of preference shares and unsecured loans from time to time. Apart from 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.

• Comfortable working capital cycle

PIUDCL has comfortable working capital cycle of -79 days in FY2016-17 as compared to 17 days in FY2015-16. The debtor days stood at 108 days in FY2017 as against 110 days in FY2016. However, the

gross current assets stood high at 445 days in FY2017 as compared to 1576 days in FY2016. There were negligible inventory days.

Weaknesses

• Susceptibility of operating performance to timely receipt and execution of order

PIIPL is engaged in the hydro power, water distribution and municipal Solid Waste (MSW) disposal 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. 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 business and financial risk profile of PIUDCL.

Outlook: Stable

SMERA believes that PIUDCL will continue to benefit over the medium term on account of the established track record of promoters. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability while improving financial risk profile and liquidity position. Conversely, the outlook may be revised to Negative in case of a steep decline in revenues 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	285.01	91.60	126.16
EBITDA	Rs. Cr.	41.56	34.34	26.70
PAT	Rs. Cr.	1.61	1.47	1.39
EBITDA Margin	(%)	14.58	37.49	21.16
PAT Margin	(%)	0.56	1.61	1.10
ROCE	(%)	8.17	8.22	10.73
Total Debt/Tangible Net Worth	Times	6.52	5.65	3.89
PBDIT/Interest	Times	1.07	1.09	1.06
Total Debt/PBDIT	Times	11.27	11.70	7.50
Gross Current Assets (Days)	Days	445	1576	837

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Rating History (Upto last three years)

Date	Name of the Instrument / Facilities	Term	Amount (Rs. Crore)	Rating/Outlook
06-Mar-2017	Term Loan	Long Term	215.00	SMERA BBB (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	Not Applicable	Not Applicable	Not Applicable	215	SMERA BBB/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	120	SMERA BBB/Stable (Assigned)

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ABOUT SMERA

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