

Press Release**Lineage Power Private Limited**

21 November, 2017

**Rating Assigned**

Total Bank Facilities Rated*	Rs. 65.00 Cr.
Long Term Rating	SMERA BBB+ / Outlook: Stable
Short Term Rating	SMERA A2

** Refer Annexure for details***Rating Rationale**

SMERA has assigned long-term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) and short term rating of '**SMERA A2**' (read as **SMERA A two**) on the Rs. 65.00 crore bank facilities of Lineage Power Private Limited (LPPL). The outlook is '**Stable**'.

Incorporated in 2010 and later acquired by Pace Group in 2014 Lineage Power Private Limited is part of the Bangalore based Pace Group. The company is headed by Mr. Venugopal Rao. LPPL is engaged in manufacturing, supply and installation of DC power equipment for telecom towers.

Key Rating Drivers**Strengths****Experienced management and long track record of operations**

The company has been incorporated in 2010 and later acquired by Pace Group in 2014. The promoter also has more than 15 years of experience in the telecom sector who is supported by a team of professionals. The promoter has diversified into related businesses through Pace Power Systems Private Limited (PPSPL) and Pace Renewables Energies Private Limited (PREPL). PPSPL is engaged in manufacturing, supply, installs and maintains AC power equipment for telecom towers and also undertakes O&M of Telecom Towers and Electrical Project Installation work whereas PREPL is engaged in installation of renewable energy equipment, mainly solar equipment, for telecom towers whereas LPPL is engaged in manufacturing, supply and installation of DC power equipment for telecom towers.

Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and debt protection metrics. The net worth of the company stood at healthy levels at Rs 186.74 crore in FY2017 as against Rs 168.34 crore in FY 2016. Gearing (Debt equity) improved and stands comfortable at 0.57 times in FY 2017 as against 0.71 times in FY 2016. Total debt of Rs 106.12 crore in FY 2017 consist of working capital facilities of Rs 90.67 crore and Rs 15.45 crore of term loans. The interest coverage ratio and DSCR stood comfortable at 3.02 times and 1.78 times in FY 2017 as against 4.11 times and 1.97 times in FY 2016. Moreover, NCA/TD stood healthy at 0.27 times in FY2017 as against 0.29 times in FY 2016.

Reputed Clientele

The group has reputed clientele such as Vodafone Essar Spacetel Limited, Reliance Jio Infocom Limited, ATC Telecom Infrastructure Limited, Indus Towers Limited, Apollo Towers Myanmar Limited (Myanmar) in the telecom sector and Madhyanchal Vidyut Vitran Nigam Limited, South Bihar Distribution Company, Jharkhand Bijli Vitran Nigam Ltd in the rural electrification sector. The telecom sector contributes to around 60 to 70 per cent of the revenues of the group and the balance is from electrification projects.

Healthy Revenue and healthy order book position

The consolidated revenue of the group is healthy at Rs 534.97 crore in FY2015 increased to Rs 617.90 crore in FY2016. In FY 2017, the group clocked revenue of Rs 499.05 crore. The decline in revenue in FY 2017 is on account of decline in revenue in Lineage Power Private Limited to Rs 110.23 crs in FY 2017 from Rs 223.77 crs in FY 2016. The group has clocked revenue of Rs 222.00 crs till September'2017 (Provisional) and currently has healthy order book position of Rs 433 crs expected to be executed within March'18. The healthy order book lends comfortable revenue visibility over the medium term.

Weaknesses**Working capital Intensive nature of operations**

The operations of the group are working capital intensive with gross current asset (GCA) days of 322 in FY 2017 as against 260 days in FY 2016. The high GCA days are primarily on account of stretched debtor days of 230 days in FY 2017 as compare 196 days in FY 2016. The high debtor days are due to ~ 35 % of revenue being generated from power distribution companies (discoms) where payments are generally delayed due to procedural hazards. The group on an average has utilized around 65-70 per cent of its bank limit utilization in the last 6 months.

Foreign Currency Fluctuation Risk

The group is exposed to foreign currency fluctuation risk with export orders of Rs 102 crs from Myanmar for supply and installation of DC power equipment.

Analytical Approach

SMERA has combined the business and financial risk profiles of Pace Power Systems Private Limited (PPSPL) and its subsidiaries, Pace Renewable Energies Pvt Ltd (PREPL) and Lineage Power Pvt Ltd (LPPL). This is because all the three companies, together referred to as the Pace group, are in a similar line of business and share a common management.

Pace Power Systems Private Limited being the flagship company of Pace Group holds 93.87 % of shares in Pace Renewable Energy Private Limited & 79.73 % of shares in Lineage Power Private Limited. All the three are in the same line of business catering to telecom sector and power sector.

Outlook: Stable

SMERA believes that PACE Group will continue to benefit over the medium term from the promoters long experience in the telecom sector. The outlook may be revised to 'Positive' if the group achieves more than envisaged sales and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17- the group reported Profit after tax(PAT) of Rs 18.14 crore as against operating income of Rs 499.05 crore against Profit after tax(PAT) of Rs27.42 crore as against operating income of Rs 617.90 crore in FY 2015-16.

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>
- 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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	45.00	SMERA BBB+/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2

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