

Press Release

Stambh Power System Private Limited

July 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 29.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 29.00 crore bank facilities of Stambh Power System Private Limited. The outlook is '**Stable**'.

Incorporated in 2000, Lucknow based, Stambh Power System Private Limited was initially engaged in manufacturing of power electronics and electrical control equipment like stabilizers, inverters, UPS, isolation transforms, etc. From 2012 company started undertaking turnkey EPC contracts like EPC of Infrastructure Electrification, Substation, EPC of Rural Electrification and Urban Electrification, EPC of Underground Cabling, etc. The company is promoted by Mr. Rajesh Khanna and Mr. Sanjay Kumar. The company caters to both government and private companies but approx 80 percent of revenue is from central government projects.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operation**

The promoters of the company have experience of more than two decades in manufacturing of electrical appliances. The company has been undertaking EPC contracts from FY2012 for various central and state government schemes like Integrated Power Development Scheme (IPDS) and PSUs like Dakshinanchal Vidhyut Vitran Nigam Limited (DVVNL), Madhyanchal Vidut Vitran Nigam Limited (MVVNL). Further, the company also undertakes contracts for private players like Larsen and Toubro among others. The reputed customers represent minimal risk of default from customer's side.

- **Comfortable order book position**

The order book position of the company is comfortable with current orders in hand of Rs.102.30 as on 30th June 2018 which is executable by 2019-2020.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by networth of Rs. 12.21 crore as on March 31, 2018 which improved from Rs. 5.36 crore as on March 31, 2017. The debt to equity ratio improved to 0.36 times for FY 17-18 from 0.38 times in FY 16-17. The interest coverage ratio stood at 17.26 times for FY 17-18 as compared to 4.84 times in FY 16-17 and DSCR stood at 12.47 times for FY 17-18 as compared to 4.20 times in FY 16-17. Acuite believes that the company will be able to maintain healthy financial risk profile over the medium term in absence of debt funded capex.

Weaknesses

- **Tender based and competitive and fragmented industry**

The engineering, procurement and construction industry is marked by presence of several small and large players in the industry resulting in competitive and fragmented industry. Further tender based nature of business increases the competition level for the company.

Analytical Approach

Acuite has considered standalone business and financial risk profile of the company to arrive at the rating.

Outlook: Stable

Acuite believes that the company will maintain a stable outlook over the medium term on account of its experienced management and reputed customers in the EPC industry and healthy financial performance. The outlook may be revised to 'Positive' in case of significant improvement in revenues and accruals with improvement in its working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the business profile or lower order book position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	64.82	21.03	23.22
EBITDA	Rs. Cr.	6.86	1.81	2.01
PAT	Rs. Cr.	4.69	1.60	1.05
EBITDA Margin	(%)	10.58	8.63	8.67
PAT Margin	(%)	7.24	7.60	4.54
ROCE	(%)	59.32	38.36	38.93
Total Debt/Tangible Net Worth	Times	0.36	0.38	0.60
PBDIT/Interest	Times	17.26	4.84	5.74
Total Debt/PBDIT	Times	0.60	0.82	0.97
Gross Current Assets (Days)	Days	133	91	70

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

none.

Any other information

none

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB- / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A3

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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