

FEBRUARY 12, 2015

CARE ASSIGNS 'CARE BBB-' AND 'CARE A3' RATINGS TO THE BANK FACILITIES OF CONSUL NEOWATT POWER SOLUTIONS PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	21	CARE BBB- (Triple B Minus)	Assigned
Short term Bank Facilities	9	CARE A3 (A Three)	Assigned
Total Facilities	30		

Rating Rationale

The ratings assigned to the bank facilities of Consul Neowatt Power Solutions Private Limited (Consul) derive strength from the growing scale of operations and product diversification of the company enabled by recent acquisitions, demonstrated financial support from the holding company, long-standing presence of Consul, wide-spread service network, and comfortable capital structure. The rating also takes into consideration the diversified customer base of the company across various industries.

The ratings, however, are constrained by the thin profit margins of Consul, working capital intensive nature of its operations and the highly competitive nature of the industry.

Going forward, the ability of the company to scale-up operations by effective utilisation of the recently acquired capacities, improve profit margins by managing raw material cost & leveraging on the expanded product profile, improve its operating cycle and maintain the current capital structure would be the key rating sensitivities.

Background

Consul is engaged in manufacturing and distribution of Power Conditioning Products (Stabilisers, Transformers & Harmonic Filters) & Power Back-up products (UPS, Solar PCUs, & Inverters), used in a wide range of application areas such as banking, healthcare, manufacturing, data centers. The company was originally incorporated as Consul Consolidated India Private Ltd in Chennai in 1985 by four engineering entrepreneurs. Consul established its sales and services network at 73 centers all over India. During 2012, Peepul Capital LLC, a Chennai-based private equity firm, through its Fund III, made equity infusions into Consul, buying out stakes from the original promoters. Peepul has since then raised its stake in Consul and holds 96.34% of equity as on September 2014.

In January 2013, Consul acquired Pune-based Megatech Power Equipments Pvt Ltd (Megatech), manufacturer of power storage & conditioning equipment, with a special focus on solar power based products. During June 2014, Consul acquired majority stake in another Pune-based power electronics company, Neowatt Energy Solutions Company Private Ltd (Neowatt). Subsequently, the company has been renamed as Consul Neowatt Power Solutions Private Limited. The management has initiated the merger of Neowatt and Megatech (a 100% wholly owned subsidiary) into itself, effective April 2014. During FY2014 (refers to the period April 1 to March 31), Consul generated a total operating income of Rs.163.8 crore, while Megatech and Neowatt generated Rs.55.3 crore and Rs.21 crore respectively. CARE, in its analysis,

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

has taken the consolidated financial risk profile of Consul, Neowatt and Megatech considering the common ownership and management, complementray product profile, shared sales & service network.

During FY2014, Consul generated a PAT of Rs.0.5 crore on a total operating income of Rs.163.8 crore, while Megatech generated a PAT of Rs.2.2 crore on a total operating income of Rs.54.4 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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