

January 12, 2016

CARE ASSIGNS 'CARE A+ (SO)' RATING TO THE BANK FACILITIES OF JAKSON POWER PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long- term bank facilities	59.20	CARE A+ (SO) [Single A Plus (Structured Obligation)]	Assigned
Total Facilities	59.20 (Rupees Fifty Nine crore and Twenty lakh only)		

Rating Rationale

The rating of Jakson Power Private Limited (JPPL) is based on credit enhancement in the form of an unconditional and irrevocable corporate guarantee provided by Jakson Engineers Limited (JEL, rated 'CARE A+' and 'CARE A1+').

The ratings of Jakson Engineers Limited (JEL) continue to derive strength from the experience of its promoters in the electrical equipment business, the company's long track record of operations and its strong brand name with reputed client base. The ratings also take into account the growth in solar business and the company's healthy financial risk profile marked by comfortable capital structure as well as debt coverage indicators during FY15 (refers to the period April 1 to March 31).

The ratings are, however, constrained by the significant proportion of trading sales in the company's total income and its significant business dependence on group companies. The ratings also take cognizance of JEL's significant exposure towards its subsidiaries in the form of corporate guarantees.

Going forward, the effective scaling-up of operations in the solar segment, the impact of the JEL's exposure towards subsidiaries on its credit profile and the company's ability to maintain a comfortable leverage profile shall remain the key rating sensitivities.

Background of JPPL

JPPL, part of the Jakson group, was incorporated on June 7, 2011, as a 100% subsidiary of Jakson Engineers Limited (JEL). The company is being promoted by Mr Sameer Gupta and Mr Sundeep Gupta. The company has set up three solar photovoltaic power projects of 20 MW (2X10) and 10 MW capacity, respectively, at Pokharan in district Jaisalmer, Rajasthan, and at district Lalitpur, Uttar Pradesh. The plants of the company have achieved commercial operation in February 2013 (20 MW) and March 2015 (10 MW) respectively.

For 20-MW project, JPPL has entered into a Power Purchase Agreement (PPA) with NTPC Vidyut Vitaran Nigam Ltd (NVVN, subsidiary of NTPC Ltd), while for 10 MW the company has entered into PPA with Uttar Pradesh Power Corporation Limited (UPPCL). The PPA with NVVN is for 25 years from Commercial Operation Date (COD) at a tariff of Rs.8.44/unit and Rs.8.74/unit for each 10 MW while the PPA with UPPCL is for 12 years at a tariff of Rs.8.44/unit.

During FY15, the company has reported generation of 36.42 million units (MU) at an average Capacity Utilization Factor (CUF) of 22.99% from its 20 MW plant at Rajasthan. FY16 would be the first full year of operations for entire capacity 30 MW. During H1FY16, the company has reported generation of 24.29 MU at an average CUF of 20.45%.

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

During FY15, JPPL registered a PBILDT and a PAT of Rs.31.09 crore and Rs.10.21 crore, respectively, on a total operating income of Rs.33.37 crore. Furthermore, as per the provisional results for H1FY16 (refers to the period April 1 to September 30), JPPL has reported a total operating income of Rs.17.60 crore with a PBILDT of Rs.17.22 crore.

About Guarantor (Jakson Engineers Limited)

JEL, incorporated on January 16, 1981, is engaged in the manufacturing of control panels and switchgears. The company manufactures custom-built panels/switchgears to meet the power distribution and motor control needs of its clients. It is also involved in the trading of diesel and gas generators (gensets) produced by its group companies including Jakson Ltd (Jakson, rated 'CARE AA-' and 'CARE A1+'). During FY15 (refers to the period April 1 to March 31), trading sales contributed ~42% to the total sales. Previously, the company was also engaged in the manufacturing of diesel gensets and canopies. During 1997, the said business was transferred to Jakson Ltd. Recently, JEL has also ventured into business of solar power EPC and supply of solar inverter substations. JEL is a part of the Jakson group which was founded by Mr S K Gupta in 1945 in Lahore and was initially involved in trading activities. Later, the group shifted its base to India and started operations as distributor of Kirloskar, L&T and Siemens for electrical equipment's in 1957 and started manufacturing of gensets from 1979 onwards. JEL's manufacturing facilities are located in Greater Noida, Uttar Pradesh and Mayapuri, New Delhi.

During FY15, JEL registered a PBILDT and a PAT of Rs.28.22 crore and Rs.13.09 crore, respectively, on a total operating income of Rs.358.89 crore. Furthermore, as per the provisional results for H1FY16 (refers to the period April 1 to September 30), JEL has reported a total operating income of Rs.162.73 crore with a PBILDT of Rs.13.47 crore.

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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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