

NOVEMBER 03, 2016

## CARE ASSIGNS 'CARE A-' AND 'CARE A2+' RATINGS TO THE BANK FACILITIES OF PROMPTEC RENEWABLE ENERGY SOLUTIONS PRIVATE LIMITED

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term fund-based facilities	20	<b>CARE A- [Single A Minus]</b>	Assigned
Long-term / Short-term non-fund-based facilities	15	<b>CARE A- / CARE A2+ (Single A Minus / A Two Plus)</b>	
<b>Total Facilities</b>	<b>35 (Rupees Thirty Five Crore Only)</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Promptec Renewable Energy Solutions Private Limited (PRESPL) derive strength from majority of shareholding and management control with Havells India Ltd. (HIL; rated 'CARE AAA' / 'CARE A1+', holding 68.91% stake) which is an established player in the electrical and lighting business and acquired strategic stake in PRESPL to enhance its solar and LED business plans by leveraging PRESPL's presence in these segments. The ratings also factor in PRESPL's comfortable capital structure, robust revenue growth and low counterparty risk on account of PRESPL's associations with HIL and other reputed Original Equipment Manufacturers (OEMs). The ratings are, however, constrained by PRESPL's small scale of operations, working capital intensive nature of operations, low profitability margin and intense competition in LED industry.

Going forward, PRESPL's ability to improve profitability, efficiently manage working capital requirements while sustaining growth in revenues shall be the key rating sensitivities.

**Background**

Incorporated in 2008, PRESPL is engaged in the manufacturing of LED lights, LED powered street lights, solar lighting systems and power electronics products. In April, 2015 HIL acquired 51.18% stake in PRESPL, which was increased to 68.91% during Q1 FY17. The company has its manufacturing facility in Bengaluru, Karnataka, and operates as OEM for reputed players including HIL. Apart from sales of solar lanterns and LED powered bulbs, street lights, flood lights, tube lights, etc, as OEM for other players, PRESPL's products are sold under brand name 'Promptec' through its dealership network spread across 15 states across India.

For FY16 (refers to the period April 01 to March 31), PRESPL has registered a PAT of Rs.0.26 crore on a total operating income of Rs.50.09 crore as against net loss of Rs.2.24 crore on a total operating income of Rs.32.95 crore in FY15.

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**Note:** Mr V.K. Chopra, who is a Non-Executive Director in Havells India Limited (holding company of Promptec Renewable Energy Solutions Pvt. Ltd.), is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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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