

Alectrona Energy Private Limited

April 6, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	47.28	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) on the basis of best available information
Short term Bank Facilities	20.13	CARE A4 ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Revised from CARE A3 (A Three) on the basis of best available information
Long term/ Short term Bank Facilities	35.00	CARE BB; Stable/ CARE A4 ISSUER NOT COOPERATING* (Double B; Outlook: Stable; / A Four; ISSUER NOT COOPERATING*)	Issuer Not cooperating; Revised from CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable / A Three) on the basis of best available information
Total	102.41 (Rs. One hundred and two crore and forty one lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Alectrona Energy Private Limited (AEPL) to monitor the ratings vide multiple e-mail communications dated October 27, 2017; December 30, 2017; February 07, 2018; March 12, 2018, a letter dated March 24, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on AEPL's bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on the basis of publicly available information with regard to disputes at the holding company level between the promoter of Zynergy group and a private equity investor who through his companies holds 51% stake in Zynergy Solar Projects and Services Private Limited (ZSPL), the holding company of AEPL. During FY16, the flagship company of Zynergy Group, ZSPL received Rs.30 crore of funding from private equity investor Mr. Tej Kohli through his nominee companies in return for a majority stake of 51%. Subsequently during the same year, ZSPL invested about Rs.36.70 crore in AEPL in the form of equity and unsecured loans and held 96% stake in AEPL as on March 31, 2016. As per media reports, the issues pertain to violation of the FEMA act by the investor and failure on KYC norms by the investor. It is learnt that the dispute is presently under investigation by the Central Bureau of Investigation (CBI).

CARE believes that such disputes or any regulatory action thereof can potentially affect the operations of AEPL, as with a large order book on hand and extended operating cycles (as was considered earlier), the disputes at shareholder level can potentially restrict AEPL's access to capital and may lead to liquidity pressures..

Detailed description of the key rating drivers

At the time of last rating on April 28, 2017 the following were the rating strengths and weaknesses

Key Rating Strengths

Experience of the promoters and the group in the energy sector: Mr Rohit Rabindranath, Managing Director of AEPL, possesses nearly 25 years of experience in varied business fields. He entered into solar segment in the year 2011 with the establishment of a 1 MW solar photovoltaic (PV) power plant under the Jawaharlal Nehru National Solar Mission (JNNSM), at Vannankulam village, Tamil Nadu through AEPL's group company, Great Shine Holdings Private Limited (GSH). Since then, the Zynergy group has ventured into various modules of solar energy including solar power plant design and construction, etc.

Comfortable order book position: The order book of AEPL, stood comfortable at Rs.1190.34cr as on February 28, 2017. Majority of these orders include supply of solar water pumps in the states of Andhra Pradesh, Madhya Pradesh, Tamil Nadu, Gujarat and Orissa.

Healthy profitability margins: The PBILDT margin improved in FY16 mainly on account of fall in the material costs. The PAT margin also improved to 7.86% in FY16 from 6.79% in FY15.

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

Key Rating Weaknesses

Moderately leveraged capital structure: The continuous debt funded capex has resulted in a moderately leveraged capital structure. The overall gearing stood at 1.54 times and debt equity at 1.02 as on March 31, 2016. However, this has improved as compared to overall gearing level of 3.10 times and debt equity of 0.99 as on March 31, 2015. This is mainly due to increase in net worth due to equity infusion from the promoters.

Working capital intensive nature of operations due to high dependence on Government projects: The company's operating cycle elongated from 134 days in FY15 to 215 days in FY16 mainly due to increase in the receivable period due to a large amount of Government receivables pending as on March 31, 2016. The company relies on fund-based working capital limits from banks to manage its operating cycle and utilisation of the same remained high during the past 12 months period ended February, 2017.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's methodology for manufacturing companies](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

AEPL is a Chennai-based Engineering, Procurement and Construction (EPC) contractor engaged in execution of turn-key projects in the Solar Power sector. AEPL was promoted by Mr Rohit Rabindranath in May 2010 and is a part of the Zynergy group, which operates in the solar power segment. AEPL mainly undertakes turn-key projects for government entities like Tamil Nadu Energy Development Authority (TEDA), Agency for Non-conventional Energy and Rural Technology (ANERT) etc..

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)
Total operating income	83.61	83.68
PBILDT	11.47	15.51
PAT	5.68	6.57
Overall gearing (times)	3.10	1.54
Interest coverage (times)	2.79	2.68

A-Audited;

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	15.12	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB- on the basis of best available information
Fund-based - LT-Term Loan	-	-	Dec 2023	32.16	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	4.88	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	15.25	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information
Fund-based - LT/ ST-Working Capital Demand loan	-	-	-	35.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable / CARE A3 on the basis of best available information

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	15.12	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB- on the basis of best available information	-	1)CARE BBB-; Stable (28-Apr-17)	1)CARE BBB- (11-May-16)	1)CARE BB+ (11-May-15)
2.	Non-fund-based - ST-Letter of credit	ST	15.25	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	-	1)CARE A3 (28-Apr-17)	1)CARE A3 (11-May-16)	1)CARE A4+ (11-May-15)
3.	Non-fund-based - ST-Bank Guarantees	ST	4.88	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	-	1)CARE A3 (28-Apr-17)	1)CARE A3 (11-May-16)	1)CARE A4+ (11-May-15)
4.	Fund-based - LT-Term Loan	LT	32.16	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	-	1)CARE BBB-; Stable (28-Apr-17)	-	-
5.	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST	35.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable / CARE A3 on the basis of best available information	-	1)CARE BBB-; Stable / CARE A3 (28-Apr-17)	-	-

*Issuer did not cooperate; Based on best available information

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