

Alectrona Energy Private Limited

April 28, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	47.28 (Enhanced from 21.75)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	55.13 (Enhanced from 13.50)	CARE A3 (A Three)	Reaffirmed
Total	102.41 (Rupees One hundred and Two crore and Forty One lakh only)		

Details of facilities in Annexure – 1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Alectrona Energy Private Limited (AEPL), continue to derive strength from experience of the promoters in the energy sector, improving order book position of the company providing medium to long term revenue visibility and healthy profitability parameters of AEPL.

The ratings, however, continue to remain constrained by the high working capital intensity in AEPL's business, improving albeit modest scale of operations, moderately leveraged capital structure and intense competition in the solar power sector.

Going forward, ability of AEPL to successfully execute its existing orders within specified timelines, maintain profit margins amidst intense competition and efficiently manage its working capital requirements in the light of anticipated improvement in turnover are the key rating sensitivities.

Detailed description of the key rating drivers

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.

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.

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

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

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

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

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

[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.

During FY16 (refers to the period April 1 to March 31), AEPL reported a PAT of Rs.6.57 crore on a total operating income of Rs.83.68 crore as against a PAT of Rs.5.68 crore on a total operating income (TOI) of Rs.83.61 crore reported in FY15.

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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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 BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	15.25	CARE A3
Non-fund-based - ST-Bank Guarantees	-	-	-	4.88	CARE A3
Fund-based - LT-Term Loan	-	-	June 2020	32.16	CARE BBB-; Stable
Fund-based - LT/ ST-Working Capital Demand loan	-	-	-	35.00	CARE BBB-; Stable / CARE A3

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	15.12	CARE BBB-; Stable	-	1)CARE BBB- (11-May-16)	1)CARE BB+ (11-May-15)	-
2.	Non-fund-based - ST-Letter of credit	ST	15.25	CARE A3	-	1)CARE A3 (11-May-16)	1)CARE A4+ (11-May-15)	-
3.	Non-fund-based - ST-Bank Guarantees	ST	4.88	CARE A3	-	1)CARE A3 (11-May-16)	1)CARE A4+ (11-May-15)	-
4.	Fund-based - LT-Term Loan	LT	32.16	CARE BBB-; Stable	-	-	-	-
5.	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST	35.00	CARE BBB-; Stable / CARE A3	-	-	-	-

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CIN - L67190MH1993PLC071691