March 30, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE NCD ISSUE OF KALPATARU POWER TRANSMISISON LIMITED

Rating

Instrument	Amount (Rs. crore)	Rating[1]	Remarks
Non-Convertible Debenture Issue (NCD – IV)#	100.00	**CARE AA [Double A]**	Reaffirmed
Non-Convertible Debenture Issue (NCD – V)	100.00	**CARE AA [Double A]**	Reaffirmed

 # Outstanding as on February 28, 2015

Rating Rationale

The rating continues to draw strength from the established position of Kalpataru Power Transmission Ltd. (KPTL) in the power transmission and distribution infrastructure (TDI) sector with a growing international presence and strong order book position. The rating also factors in the strong financial risk profile of KPTL characterized by a low overall gearing and comfortable liquidity position, albeit with moderation in its profitability.

The rating, however, continues to be constrained on account of high working capital intensity of KPTL's business along with the risk associated with the volatility in raw material prices and exchange rates; risk related to land acquisition and clearances in its projects and increased propensity to support its subsidiaries some of which are engaged in non-core businesses.

The ability of KPTL to improve its profitability while sustaining the growth in its operations with better control over working capital and the nature and extent of support provided to its subsidiaries would be the key rating sensitivities.

Background

Promoted by Mr. Mofatraj Munot in 1981, Kalpataru Power Transmission Ltd. (KPTL) is one of the top three players in the domestic TDI sector. Presently, it operates in TDI segment, which contributed 93% to the standalone total operating income in FY14 (refers to the period April 1 to March 31), infrastructure segment (6%, which includes laying oil and gas pipelines and railway construction) and power generation through bio-mass contributing 1%. KPTL's manufacturing facilities for transmission tower structures are situated at Gandhinagar in Gujarat and Raipur in Chhattisgarh with a combined installed capacity of 180,000 metric tonne per annum (MTPA) as on March 31, 2014.

In addition to its TDI business, KPTL has also diversified inorganically by acquiring majority stake in JMC Projects (India) Ltd. (JMC – 67% equity holding of KPTL as on December 31, 2014; rated CARE A+/CARE A1+) engaged in diversified construction activities and Shree Shubham Logistics Ltd. (76.6% equity holding; rated CARE BBB+/CARE A3+) engaged in agri-warehousing and allied activities. Apart from acquisitions, KPTL has also ventured into asset ownership in power transmission sector through its Special Purpose Vehicles (SPVs), Jhajjar KT Power Transmission Ltd. (rated CARE A-) and Kalpataru Satpura Transco Pvt. Ltd. and in road sector through JMC's four SPVs. In addition to this, KPTL has also invested in real estate projects through its wholly-owned subsidiaries, Energylink (India) Ltd. and Amber Real Estate Ltd.

Based on the standalone audited financials, KPTL registered a total operating income of Rs.4,104 crore with a PAT of Rs.146 crore in FY14 compared with a total operating income of Rs.3,386 crore with a PAT of Rs.138 crore in FY13. Furthermore, as per the provisional results for 9MFY15, KPTL earned a PAT of Rs.126 crore on a total operating income of Rs.3,395 crore.

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

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

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