December 16, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO VARIOUS INSTRUMENTS AND BANK FACILITIES OF KALPATARU POWER TRANSMISSION LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long Term Bank Facilities	930.00 (enhanced from Rs.860.00 crore)	**CARE AA (Double A)**	Reaffirmed
Long Term / Short Term Bank Facilities	5,864.85 (enhanced from Rs.5,065.00 crore)	**CARE AA/CARE A1+ (Double A/A One Plus)**	Reaffirmed
Total Bank Facilities	**6,794.85 (Rupees Six Thousand Seven Hundred Ninety Four Crore and Eighty Five Lakh Only)**		
Non-Convertible Debenture Issue – I*	26.67 (Rupees Twenty Six Crore and Sixty Seven Lakh Only)	**CARE AA (Double A)**	Reaffirmed
Non-Convertible Debenture Issue – IV and V*	200.00 (Rupees Two Hundred Crore only)	**CARE AA (Double A)**	Reaffirmed
Commercial Paper Issue (carved out of working capital limits)	150.00 (Rupees One Hundred Fifty Crore only)	**CARE A1+ (A One Plus)**	Reaffirmed
Commercial Paper Issue	50.00 (Rupees Fifty Crore only)	**CARE A1+ (A One Plus)**	Reaffirmed

** Outstanding as on September 30, 2015*

Rating Rationale

The ratings continue 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 ratings also factor in KPTL's low overall gearing, comfortable liquidity position and stable profitability.

The long term rating, however, continues to be constrained on account of the 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 and some 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 industry. As on September 30, 2015, the promoters held 59% stake in the company. Over the years it has also diversified in international markets and has footprints in more than 40 countries globally. Presently, it operates in the TDI segment, which contributed 90% to the standalone total operating income in FY15 (refers to the period April 1 to March 31), infrastructure segment (7%, which includes laying oil and gas pipelines and construction for railways) and the balance 3% was from other sources of income including power generation through bio-mass (contributed 2%). 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, 2015.

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 March 31, 2015; rated CARE A+/CARE A1+) engaged in diversified construction activities and Shree Shubham Logistics Ltd. (SSLL – 76% equity holding; rated CARE A-/CARE A2) 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. (JKTPL; rated CARE A-) and Kalpataru Satpura Transco Pvt. Ltd. (KSTPL) and in road sector through JMC's four SPVs. In addition to this, KPTL has

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

also invested in real estate projects through its wholly-owned subsidiaries, Energylink (India) Ltd. (EIL) and Amber Real Estate Ltd. (AREL).

Based on the audited financials, on a standalone level, KPTL registered a total operating income of Rs.4,474 crore with a PAT of Rs.166 crore in FY15 compared with a total operating income of Rs.4,104 crore with a PAT of Rs.146 crore in FY14. Further, as per provisional results for H1FY16, KPTL reported a PAT of Rs.89 crore on a total operating income of Rs.2,143 crore, compared with a PAT of Rs.85 crore on a total operating income of Rs.2,243 crore during H1FY15.

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

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