

RRB Energy Limited

August 28, 2017

Ratings

Facilities*	Amount (Rs. crore)	Rating ¹	Remarks
Long Term bank facilities – Fund based	95.00	CARE C; Stable (Single C; Outlook: Stable)	Revised from CARE D
Long term/ Short Term bank facilities – Non-fund based	40.00	CARE C; Stable / CARE A4 (Single C; Outlook: Stable/A Four)	Revised from CARE D / CARE D
Total	135.00 (Rs. One hundred and thirty five crores only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings of RRB Energy Limited takes into account improvement in the debt servicing track record of the company. The ratings continue to be constrained by RBEL's weak financial profile. However, the ratings weakness is partially offset by the promoters' experience and moderate order book.

Going forward, RBEL's ability to increase profitability with scaling up of operations and effectively managing its working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak financial risk profile

The company has been grappling with many issues for the past few years which have impacted its financial position. Owing to the weak financial risk profile, and unavailability of the working capital funding, RBEL scale of operations were continuously declining with loss of Rs. 29.03 cr during FY16 and loss of Rs. 43.17 cr during FY17, resulting in erosion of net-worth and tight liquidity position.

Key Rating strengths

Improvement in debt servicing track record post revival in order book

In FY17, the company received few large orders with customer advance of Rs. 39 cr which is being used to improve its liquidity position and payoff the outstanding dues to its bankers. The company has received two large orders of Rs. 325 cr and Rs. 747 cr to be executed in FY18 and FY19. During Q1FY18, the company has already executed orders valued at Rs. 40 cr.

Experienced promoters with established track record

RBEL was incorporated in 1987, as a JV between Vestas Wind Systems A/S, Denmark (VWS) and Mr Rakesh Bakshi. Mr Bakshi has an experience of more than 30 years in the similar industry with titles such as "Green Maharaja" being awarded to him for his exemplary work in the field of renewable energy. He was also honoured with "Padma Shri" in 1991 by the government of India. He has actively involved in the promotion of renewable energy technology. The company has been involved in providing infrastructure services to the projects and also take care of the O&M part. There are three models under which they provide the services namely, Turnkey (takes care of overall project), Equipment supply and Equipment supply with erection and commissioning.

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

Analytical approach:

Standalone

Applicable Criteria[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Criteria for Short Term Instruments](#)[Rating Methodology-Manufacturing Companies](#)[Financial ratios – Non-Financial Sector](#)**About the Company**

Incorporated in 1987, RRB Energy Limited (RRBEL, formerly Vestas RRB India Limited) engaged in the business of manufacture, erection and commissioning of Wind Electric Generators (WEGs) and also provides after-sales services and maintenance services for WEGs. It currently manufactures WEGs with capacity of 225KW, 500KW and 600 KW.

The company is ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certified and has production plants in Tamil Nadu, Maharashtra, Karnataka, Gujarat and Rajasthan. It also has a government approved R&D facility which develops higher MW capacity turbines.

The company has received few orders namely of Binny Ltd. (for Rs. 325 cr) and Enviromax Pellets (for Rs. 747 cr) for which they have received customer advances of Rs. 39 cr. as on March 31, 2017.

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)	FY17 (Prov.)
Total operating income	138.11	132.85	71.75
PBILDT	8.28	8.08	(6.83)
PAT	(21.84)	(29.03)	(43.20)
Overall gearing (times)	2.68	3.60	9.87
Interest coverage (times)	0.28	0.27	NM

A: Audited Prov.: Provisional**Figures in brackets denote negative sign****Status of non-cooperation with previous CRA: NA****Any other information: NA****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 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	-	-	-	95.00	CARE C; Stable
Non-fund-based – LT/ST-BG/LC	-	-	-	40.00	CARE C; Stable/ CARE A4
Fund-based – LT – Term Loan	-	-	-	0.00	CARE C; Stable

Annexure-2: Rating History of last three years

S. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date & Ratings assigned in 2016-2017	Date & Ratings assigned in 2015-2016	Date & Rating assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based –LT – Cash Credit	LT	95.00	CARE C; Stable	CARE D (28-Apr-17)	CARE D (12-Apr-16)	-	1) CARE B (30-Mar-15) CARE B (29-Apr-14)
2.	Non-fund-based – LT/ST – BG/LC	LT/ST	40.00	CARE C; Stable/ CARE A4	CARE D/ CARE D (28-Apr-17)	CARE D/ CARE D (12-Apr-16)	-	1) CARE B/ CARE A4 (30-Mar-15) CARE B/ CARE A4 (29-Apr-14)
3.	Fund-based – LT – Term Loan	LT	0.00	CARE C; Stable	CARE D (28-Apr-17)	CARE D (12-Apr-16)	-	1) CARE B (30-Mar-15) CARE B (29-Apr-14)

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