

MAY 31, 2016

CARE ASSIGNS 'CARE BBB' AND 'CARE A3+' RATINGS TO THE BANK FACILITIES OF UJAAS ENERGY LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities	108.64	CARE BBB (Triple B)	Assigned
Long Term/Short Term Bank Facilities	41.36	CARE BBB/CARE A3+ (Triple B/A Three Plus)	Assigned
Total Bank Facilities	150.00 (Rupees One Hundred Fifty Crore Only)		

Rating Rationale

The ratings assigned to the bank facilities of Ujaas Energy Ltd. (UEL) derive strength from the experience of promoters in the power infrastructure industry, its established track record in setting up of solar power plants and stable track record of power generation from its owned solar power plants. The ratings are also underpinned by UEL's healthy order book in its solar power Engineering, Procurement and Construction (EPC) business on the back of healthy domestic demand outlook with increased government focus to increase solar power generation capacity in the country, its low financial leverage and moderate debt coverage indicators.

The ratings are, however, constrained on account of the regulatory risks associated with evolving solar power industry, high competition amongst EPC players and forex risk as large part of solar modules are imported, albeit short execution tenure for majority of contracts alleviates the forex risk to a certain extent.

UEL's ability to increase its scale of operations, maintain its profitability in the light of volatility in forex rates and effectively manage its working capital would be the key rating sensitivities. Any major debt funded capex/acquisition and any adverse changes in the regulatory environment would also be key credit monitorable.

Background

UEL was promoted by Mr. Shyam Sundar Mundra under the name of 'M and B Switchgears' in 1979 as a proprietorship concern to manufacture transformers and switchgears. It was subsequently converted in to a partnership firm in 1995 and then was converted to a company in 1999. Over the past few years, UEL has diversified its operations to solar power segment and hence, its name was also changed to its present one. UEL is currently engaged in three businesses, viz., establishing solar power plants on EPC (which contributed 75% of its revenue in FY15), power generation through solar energy (19%) and manufacturing of transformers (4%). As on March 31, 2016, the company owned 14 Mega Watt (MW) of solar power generation capacity.

Based on the audited financials, UEL registered a total operating income of Rs.113.20 crore with a PAT of Rs.11.73 crore in FY15 compared with a total operating income of Rs.533.41 crore with a PAT of Rs.37.40 crore in FY14. Further, as per provisional results for 9MFY16, the company reported a PAT of Rs.7.04 crore on a total operating income of Rs.111.51 crore, compared with a PAT of Rs.3.94 crore on a total operating income of Rs.62.97 crore.

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

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.

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

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 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 assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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