JUNE 23, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED 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)**	**Reaffirmed**
Short Term Bank Facilities	80.00	**CARE A3+ (A Three Plus)**	**Assigned**
Long Term/Short Term Bank Facilities	85.00 (enhanced from Rs.41.36 crore)	**CARE BBB/CARE A3+ (Triple B/A Three Plus)**	**Reaffirmed**
Total Bank Facilities	**273.64 (Rupees Two Hundred Seventy Three Crore and Sixty Four Lakh Only)**		

Rating Rationale

The ratings for the bank facilities of Ujaas Energy Ltd. (UEL) continue to derive strength from the experience of its 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 also continue to be 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, however, continue to be 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 monitorables.

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 reconstituted in 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 limited published financials on stock exchanges, UEL registered a total operating income of Rs.279.46 crore with a PAT of Rs.20.89 crore in FY16 compared with a total operating income of Rs.113.20 crore with a PAT of Rs.11.74 crore in FY15 (as per audited financials).

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

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

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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