

Press Release

Brickwork Ratings assigns 'BWR BB+' & 'BWR A4+' for the proposed Bank Loan Facilities aggregating ₹ 10 Cr of Skyline Power Solutions

Brickwork Ratings has assigned following **Ratings**¹ for the proposed bank credit facilities of Skyline Power Solutions.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit	2.50	Long Term	BWR BB+ (BWR Double B Plus) (Outlook-Stable)
Bank Guarantee	7.50	Short Term	BWR A4+ (BWR A Four Plus)
Total	10.00 (INR Ten Crores only)		

The Rating, inter alia, factors Track record of the promoter in the genset industry, order book position as of July 2013, comfortable financial position marked by robust profit margins and low debt-equity ratio. However, the Rating is constrained by low net worth position, small scale of operations coupled with volatility of sales due to exposure to government based business which has reflected in higher receivables during FY13.

Skyline Power Solutions is a proprietorship firm established in 2007, and is promoted by Mr. T. R. Arora. He is supported by his sons Mr. Sumit Kapoor and Mr. Prashant Arora. The firm's manufacturing unit is located at Baddi, Himachal Pradesh due to which it enjoys income tax, excise duty and other exemption benefits as per central government's policy to promote hilly regions; its head office is in New Delhi and marketing offices/branches are also in U.P., Gujarat and Punjab. The firm manufactures diesel, petrol and CNG/LPG based generators ranging from 2.50KVA to 62.5 KVA and mainly caters to government and institutional clients.

The manufacturing plant has an average production capacity to manufacture 6000 genset per annum. The firm sources engines from reputed engine manufactures including Briggs-Stratton, Escorts Engines, Mitsubishi and Field Marshal. Additionally, the firm has tied-up with Volvo-Eicher to increase the product range up to 125 KVA.

Till July 2013, the Firm has executed orders valued at about ₹ 5.0 Crores. Pending and confirmed orders of about ₹ 9.0 Crores are expected to be executed by November, 2013.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Besides, few major orders from state government project are in finalization stages and having estimated aggregate value of ₹ 33 Crores.

While the orders are secured by irrevocable and confirmed LCs, due to dependence on government contracts the firm has faced issues such as delayed finalization of orders and receipt of payments from govt. clients. This has reflected in volatility of revenues over the past three years. The firm is establishing retail/dealer network and is pursuing private clients to reduce dependence on government based business.

The turnover has been fluctuating over the past three years. Sales increased from ₹ 5.98 Crores in FY11 to ₹ 18.60 crores during FY12, declining to ₹ 6.39 Crores during FY13. Despite fluctuating turnover, the Firm's profitability margins are robust, improving from 8.44% in FY11 to 10.45% in FY12. The firm's debt-equity and coverage ratios were at comfortable levels although the net worth was small.

Given the current orders under execution and expected orders, the firm expects to achieve significantly higher turnover during FY14. Ability of the firm to achieve higher operating scale with consistency in growth and improving its net worth position will be key rating sensitivities.

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