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ICRA reaffirms LBBB and A3+ ratings assigned to the bank limits of HPL Socomec Private Limited

ICRA has reaffirmed the LBBB (pronounced as L triple B) rating assigned to the Rs. 431.70 million outstanding term loans and Rs 1.43 billion fund based limits of HPL Socomec Private Limited (HSPL)[†]. ICRA has also reaffirmed the A3+ (pronounced as A three plus) rating assigned to the Rs 1.64 billion non-fund based limits of HSPL[†].

The rating action reflects the growth in top line of the company in FY 2009 buoyed by growth in sales of all its products namely electronic energy meters (EEMs), compact fluorescent Lamps (CFLs) and miniature circuit breakers (MCBs). The rating takes into consideration the positive demand outlook for all the product segments it operates in and its established position in the meters market arising out of long experience, technical competence and goodwill enjoyed amongst the state power utilities who are the primary clients. These factors have resulted in healthy order book and turnover, which is likely to be sustained in the medium term. The ratings are however constrained by strong competitive pressures in all the segments which results in pressures on profitability margins. The rating also reflects HSPL's high working capital intensity arising mainly from extended debtor days which coupled with rapid growth has resulted in consistent negative cash generation (net cash accruals less working capital changes) from operations. Further as a significant part of the working capital has been funded by debt this has resulted in relatively high gearing and moderate coverage indicators.

Company Profile

HPL Socomec Pvt. Ltd. (HSPL) is a 92:8 JV between the HPL group and Socomec S.A. of France. It was incorporated in 1991 and commenced operations in June 1993. It is engaged in the manufacture of Electronic energy meters (EEM), Compact fluorescent lamps (CFLs), Miniature circuit breakers (MCB) and switch gears. The HPL group was founded in 1979 by Mr. Lalit Seth, a first-generation entrepreneur, who has a background in electrical engineering. A group company namely HPL Protection Technologies Ltd which manufactures CFLs and MCBs was merged with HPL Socomec in April 2008.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.