



## Lanco Solar Energy Private Limited <sup>Revised</sup>

Instrument	Amount Rated	Rating Action
	In Rs. Crore	As of September, 2015
Fund Based Limits	150.0	[ICRA]D; <i>reaffirmed</i>
Non Fund Based limits	425.0	[ICRA]D; <i>reaffirmed</i>
<b>Total</b>	<b>575.0</b>	

ICRA has reaffirmed the long-term rating assigned to the Rs 150 Crore of fund based facilities of Lanco Solar Energy Private Limited (LSEPL) at [ICRA]D (pronounced as ICRA D)<sup>†</sup>. ICRA has also reaffirmed the short term rating assigned to the Rs 425 Crore of non-fund based facilities LSEPL at [ICRA]D (pronounced as ICRA D).

ICRA's rating action factors in the continued delays in receipt of payment from one of its key customers Maharashtra State Power Generation Company (Mahagenco) which has resulted in stretched liquidity position of the company as reflected by LC devolvement and overutilization of funds based limits. Further, the financial performance of the company is weak in FY15 due to delays in execution of two large orders (of 100 MW) which coupled with fixed operating costs and interest charges resulted in net loss of Rs. 22.15 crore in FY 2015 and resulted in weakened capitalization and coverage indicators of the company in FY 2015.

The present order book of LSEPL is heavily dependent on two large projects which increases concentration risk and concerns on the future revenue visibility. Due to delay in getting the required approvals from NVVN, implementation of 2x100 MW Solar Thermal projects got deferred. Thus the EPC activity in these two projects was nil, which effected the turnover of the company in FY 15 and till date in FY 16. The rating also factors in the weak financial health and significant funding commitments of the promoter company. Nevertheless, ICRA takes note of LSEPL's established position in the solar EPC space and sourcing of equipments from reputed global suppliers with back to back warranties that mitigates contingency risks.

Going forward timely recovery of payment from Mahagenco and LSEPL's ability to execute the current order book without incurring time & cost overruns while protecting its profit margins and enforcing a stricter payment collection mechanism would be key sensitivities.

### About the Company

Lanco Solar Energy Private Limited (LSEPL) is a 100% subsidiary of Lanco Infratech Limited. LSEPL was established in June 2009 and is engaged in providing design & engineering, procurement of equipments and complete construction of solar power projects. The company has so far executed turnkey EPC contracts for ~250.0 MW solar power projects located majorly in Rajasthan, Gujarat and Maharashtra. The company presently has an order book of around 250 MW which comprises mainly 200 MW of two solar thermal projects (100 MW each) being developed for a Lanco group company and for third parties like NTPC at Andhra Pradesh.

### Recent Results

In FY 2015 the company reported an operating income of Rs 92.29 Crore and net loss of Rs 22.26 Crore against an operating income of Rs 259.49 Crore and PAT of Rs 96.15 Crore in FY 2014.

**September 2015**

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



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