

Sterling Generators Private Limited

Instrument	Amount (Rs. Crore)	Rating Action (December 2016)
Fund Based Limits (CC)	80.00 (reduced from 100.00)	[ICRA]BBB- (Stable) reaffirmed
Non-Fund Based Limits (BG)*	25.00	[ICRA]BBB- (Stable) reaffirmed /[ICRA]A3 reaffirmed
Fund Based Limits [#]	80.00 (enhanced from 50.00)	[ICRA]A3 reaffirmed
Non-Fund Based Limits [#]	122.50 (reduced from 190.00)	[ICRA]A3 reaffirmed

**Rated on both the scales and would attract rating as per the tenure of usage.*

#completely interchangeable with buyers credit, working capital demand loan and overdraft facilities

ICRA has reaffirmed the long term rating of [ICRA]BBB- (pronounced ICRA triple B minus)¹ and short term rating of [ICRA]A3 (pronounced ICRA A three) outstanding on the fund based, non fund based and proposed bank facilities of Sterling Generators Private Limited (SGPL) aggregating to Rs. 400 crore². The outlook on the long term rating is Stable.

In arriving at the ratings, ICRA has taken a consolidated view of the Sterling Generators Group (SGG or The Group) comprising of SGPL, Sterling & Wilson Powergen Private limited (SWPPL, rated [ICRA]BBB-(Stable)/[ICRA]A3) and Sterling & Wilson Energy Systems Private Limited (SWESPL, rated [ICRA]BBB-(Stable)/[ICRA]A3) by virtue of the strong operational synergies between the three group entities, given that SWPPL and SWESPL are the marketing arms of SGPL.

The ratings factor in the strength arising from the association with Shapoorji Pallonji and Company Private Limited (SPCPL, rated [ICRA]AA+(Stable)/[ICRA]A1+) and Sterling & Wilson Private Limited, with demonstrated support from the promoters in terms of financial as well as managerial assistance. While SPCPL holds majority stake in the company, the balance is held by the Daruvala family who are also the promoters of SWPL. The ratings continue to factor in the efficient and reliable product portfolio with sourcing of electronic engines from well-established international players as well as the diversified clientele of the company comprising of reputed customers. The ratings also take into account the gradual diversification in the company's product portfolio by addition of products targeted at the value conscious segment of the project market as well as retail market, which would enable sterling generators expand its market presence. The ratings also factor in the improvement in the scale of operations and profitability levels of the company in FY2016. Sustained improvement in the cash accruals so as to improve the net worth position of the company would remain important from a credit perspective.

The ratings are, however, constrained by the weak financial profile of the company wherein net losses in the past fiscals have led to erosion of its net worth which, coupled with increase in debt levels, led to deterioration of its debt coverage metrics. However, the promoters have supported the company in the past and have subscribed to preference shares of Rs. 50 crore in FY2016. The ratings also factor in the modest value addition in the business which is characteristic of the genset industry, susceptibility of the company's profitability to raw material price fluctuations in key components like steel and copper, the exposure to adverse movements in foreign exchange rates and the high competitive intensity in the industry. The company has, however, been increasing its domestic procurement and has also adopted an active hedging strategy to alleviate the risk of adverse movements in forex rates.

Company Profile

Sterling Generators Private Limited was incorporated in 2005 as the diesel generator set (DG sets) manufacturing arm of Sterling & Wilson Private Limited, and later became a subsidiary of Shapoorji Pallonji &

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² 100 lakh = 1 crore = 10 million



Company Private Limited (rated [ICRA]AA+ (stable) / [ICRA]A1+). SGPL is engaged in the manufacturing of DG sets and panels. The marketing and business development activities for the domestic market are carried out by SGPL's group companies, namely, Sterling Powergen Private Limited and Sterling & Wilson Energy Systems Private Limited, while SGPL is engaged in exports and deemed exports. SGPL is headquartered in Mumbai, and has its manufacturing unit at Silvassa, Union Territory of Dadra & Nagar Haveli, with a capacity to produce 4,000 units of DG sets along with 3,000 panels each in a year. The manufacturing facility comprises of an export oriented unit (EOU) for deemed exports as well as for supplies to SEZs and a domestic tariff area (DTA) unit.

In the financial year ending March 31, 2016, the company reported a net profit of Rs.1.09 crore on an operating income of Rs. 428.74 crore as against a net loss of Rs. 10.69 crore on an operating income of Rs. 355.95 crore in the last fiscal.

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