



## Sterling & Wilson Private Limited

Instrument	Amount (In Rs.)	Rating Action (Dec-14)
Non Convertible Debentures	Rs. 100 crore	[ICRA]A (Positive) assigned

ICRA has assigned a long term rating of [ICRA]A (pronounced ICRA A)<sup>†</sup> to the Rs. 100 crore<sup>†</sup> Non Convertible Debenture (NCD) programme of Sterling & Wilson Private Limited (SWPL, erstwhile Sterling & Wilson Limited). The outlook on the long-term rating is positive.

ICRA has a long term rating of [ICRA]A with positive outlook and short term rating of [ICRA]A1 (pronounced ICRA A one) outstanding on the fund based and non-fund based facilities of SWPL aggregating to Rs. 2,250 crore. ICRA also has a short term rating of [ICRA]A1 outstanding on the Rs. 100 crore Commercial Paper programme of SWPL.

The rating favourably factors in company's established position and proven track record as an EPC (Engineering, Procurement & Construction) player in the Electrical & Air Conditioning space reflecting strong execution skills and strong parentage being a subsidiary of Shapoorji Pallonji and Company Private Limited (SPCPL, rated [ICRA]AA+ (Stable) / [ICRA]A1+), by leveraging SPCPL's reach and reputation in the industry. The ratings also factors in SWPL's diversified business profile with presence in Electrical, Heating Ventilation & Air Conditioning (HVAC), High Tension (HT), Solar, and Building Management Systems services, healthy order-book position and the gradual improvement in the quality of order-book in terms of sectoral exposure, payment terms as well as inherent profitability of contracts. While SWPL's financial performance was subdued in the recent past (with net losses in FY 2012 and FY 2013), it achieved a turnaround in operations in the last fiscal, reporting a net profit in FY 2014, brought around by the healthy performance of the solar EPC segment. A recent addition to SWPL's portfolio, the solar EPC services have emerged as a key revenue as well as profit driver for the company supported by the short turnaround time and high inherent profitability of these services. Further, the healthy order inflow in this segment has helped support SWPL's order-book position despite the subdued performance of the core Mechanical Electrical and Plumbing (MEP) portfolio.

The rating however is constrained by the working capital intensity of operations owing to the historically stretched receivables position, which coupled with the modest profitability levels resulted in high reliance on external sources of funding. This in turn led to deterioration in the capital structure as well as coverage indicators of the company. The ratings remain constrained by the high competitive pressure in the industry and susceptibility of profitability to prices of basic raw materials like steel because of fixed price nature of contracts.

Going forward, the company's ability to revive the core MEP business, further improve its profitability levels while managing its receivables and maintain its capital structure under comfortable level remains critical from a credit perspective.

### Company Profile

Sterling & Wilson Private Limited (SWPL, formerly known as Sterling & Wilson Limited), operates as an EPC contractor providing complete mechanical, electrical and plumbing (MEP) as well as solar services. The company is a subsidiary of Shapoorji Pallonji and Company Private Limited. (SPCPL, erstwhile Shapoorji Pallonji and Company Limited, rated [ICRA]AA+ (Stable)/[ICRA]A1+), one of the reputed engineering conglomerates in India. SWPL was established in 1927 as Wilson Electric Works and was incorporated as Sterling & Wilson Electricals Limited in 1974. The Company became a subsidiary of SPCPL with effect from April 17, 2008, when SPCPL increased its stake to 55% through rights issue. SPCPL's holding in SWPL increased to 67% in FY 2015. The rest of the stake is held by Mr. Khurshed Daruvala, who is also the Managing Director of the company.

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

† 100 lakh = 1 crore = 10 million



For the financial year ending March 31, 2014, the company reported a net profit of Rs. 10.08 crore on an operating income of Rs. 1,755.23 crore as against a net loss of Rs. 19.08 crore on an operating income of Rs. 1,500.90 crore in the same period previous fiscal.

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