

JUNE 20, 2016

CARE ASSIGNS 'CARE A-(SO)' AND 'CARE A2 (SO)' RATINGS ASSIGNED TO BANK FACILITIES OF TRANSCON INDUSTRIES

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Remarks
Long-term Bank Facilities	9	CARE A- (SO) [Single A Minus (Structured Obligation)]	Assigned
Short-term Bank Facilities	2	CARE A2 (SO) [A Two (Structured Obligation)]	Assigned
Long/Short-term Bank Facilities	36	CARE A- (SO) / CARE A2 (SO) [Single A Minus (Structured Obligation) / A Two (Structured Obligation)]	Assigned
Total Facilities	47 (Rupees Forty Seven crore only)		

@ The facilities are backed by unconditional and irrevocable corporate guarantee extended by Sealwel Corporation Private Limited (rated 'CARE A-', 'CARE A2')

Rating Rationale

The ratings assigned to the bank facilities of Transcon Industries are based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by Sealwel Corporation Private Limited (rated 'CARE A-', 'CARE A2').

The ratings assigned to the bank facilities of Sealwel Corporation Private Limited (SCPL) derive comfort from experienced and resourceful promoters with established track record, healthy growth in the total operating income, comfortable overall financial risk profile, efficient working capital management and moderate order book position from reputed clients.

The ratings are, however, constrained on account of relatively small scale of operations, tender-based nature of operations in an intensely competitive power transmission and distribution industry with the presence of many unorganized players.

The ability of the company to scale up its operations, maintain comfortable working capital cycle with sustainable profitability margin and comfortable capital structure are the key rating sensitivities.

Background

Transcon Industries (Transcon) is a partnership firm, incorporated in 2003 by Mr G Amarpal, Mr B Nagaraju and Mrs R Kavitha. Transcon belongs to Hyderabad-based Sealwel Group. Mr Amarpal is also one of the Directors in Kanyaka Parmeshwari Engineering Limited (Kanyaka; rated 'CARE BBB-', 'CARE A3') and has an experience of more than two decades in business. Transcon is engaged in

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

manufacturing of Power transformers, three phase & single phase distribution transformers and other allied products. The firm has a capacity to manufacture 10,000 transformers per annum. The clients of the firm include state electricity distribution companies from the states of Maharashtra, Andhra Pradesh, Telangana, Karnataka, etc.

The other group companies of Transcon are Hi-Power Electrical Industries [Hi- Power; rated 'CARE A-(SO)', 'CARE A2 (SO)'] and Sealwel Corporation Private Limited (SCPL; rated 'CARE A-', 'CARE A2') which are owned and managed by close family members of Mr B Nagaraju. SCPL is into manufacturing of transformers and execution of EPC contracts, whereas Hi-Power and Transcon are into manufacturing of transformers.

During FY16 (refers to the period April 1 to March 31 - Provisional), Transcon has reported net profit of Rs.10.95 crore on a total operating income of Rs.125.75 crore as against net profit of Rs.7.93 crore on a total operating income of Rs.102.76 crore in FY15.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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