OF BUILDING TRUST & CREDIBILITY

SMERA RATINGS LIMITED

MNRE SMERA- SOLAR GRADING

L.N. Enterprises

Date of Report	30th March, 2016

GRADING ASSIGNED		SP 3B (Moderate Performance Capability & High Financial Strength)				
SOLAR GRADING SCALE		Financial Strength				
		Highest	High	Moderate	Weak	Poor
Performance Capability	Highest	SP 1A	SP 1B	SP 1C	SP 1D	SP 1E
	High	SP 2A	SP 2B	SP 2C	SP 2D	SP 2E
	Moderate	SP 3A	SP 3B	SP 3C	SP 3D	SP 3E
	Weak	SP 4A	SP 4B	SP 4C	SP 4D	SP 4E
	Poor	SP 5A	SP 5B	SP 5C	SP 5D	SP 5E

The tenure of channel partner is initially for two years. After satisfactory achievement in meeting the elected targets the tenure will be extended to another two years. After the end of four years the entities will have to approach the rating agencies to get fresh rating.

CONTENTS

SMERA's SOLAR GRADING

Introduction:About JNNSM.

In 2008, Prime Minister Dr. Manmohan Singh released India's first National Action Plan on Climate Change (NAPCC) outlining existing and future policies and program. The aim was to address climate mitigation & adaptation.

A total of eight National Missions were announced as a part of NAPCC. Among them was a National solar mission which was later rechristened to Jawaharlal Nehru National Solar Mission (JNNSM).

JNNSM was started with intention of promoting ecologically sustainable growth, while addressing India's energy security challenge.

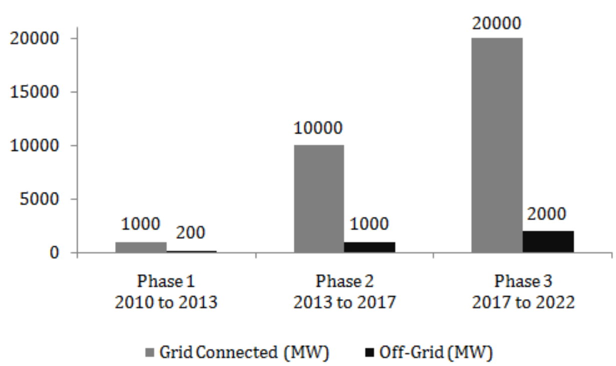
The overall aim of the mission is create an enabling policy framework for deployment of 20000 MW of solar power by 2022.

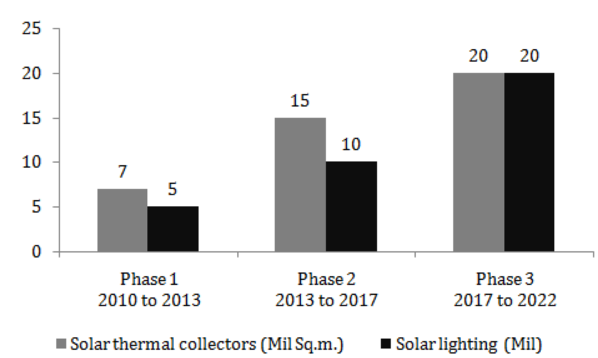
The immediate aim of the mission is to focus on promoting the use of renewable sources of energy and setting up an environment. This will facilitate increased penetration of solar technology in the country.

In order to achieve this objective, the mission envisages providing capital and interest rate subsidies, to participating players & stakeholders. This was done with an objective to make the solar off-grid projects commercially viable and workable on a sustainable basis.

JNNSM was planned to be adopted in three phases.

- Phase 1 – 2010 to 2013.
- Phase 2 – 2013 to 2017.
- Phase 3 – 2017 to 2022.





Why the need for accreditation?

An important step in achieving the mission is to catalyze the wide-scale development of capable &strong players. Through subsidies, the government will ensure that the operating players are incentivized. However,in order ensure that only serious & capable players benefit & grow, an accreditation process was envisaged. Such a step will help ensure that long term growth of the industry and the constructive movement towards the mission's goals.

The accreditation process would

- Categorise various entities into grades which would help in identifying those channel partners which have the capacity and capability to undertake these projects. This publicly available and highly credible benchmarking exercise can act as a powerful tool for effective promotion of best-practices in this sector.

- Ensure optimum and effective use of the subsidies, resulting in an increase in the number of off-grid solar projects.

- Will also function as a tool to monitor performance capability over time, incentivize efficient players and at the same time penalize weaker performance.

Benefits of Solar Grading:

✓ Channel partners can showcase their project execution capabilities.

✓ An effective tool to distinguish between channel partners on a rationale, scientific framework and a commonly applicable scale.

✓ Knowledge sharing between channel partners and project developers.

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SOLAR GRADING SCALE

The grading will be done on a 5 X 5 matrix. The matrix will assess the entity on two broad parameters -

- Performance Capability
- Financial Strength

SOLAR GRADING SCALE		Financial Strength				
		Highest	High	Moderate	Weak	Poor
Performance Capability	Highest	SP 1A	SP 1B	SP 1C	SP 1D	SP 1E
	High	SP 2A	SP 2B	SP 2C	SP 2D	SP 2E
	Moderate	SP 3A	SP 3B	SP 3C	SP 3D	SP 3E
	Weak	SP 4A	SP 4B	SP 4C	SP 4D	SP 4E
	Poor	SP 5A	SP 5B	SP 5C	SP 5D	SP 5E

The grades assigned will be valid for a period of two years for entities with the highest performance capability (graded 1A, 1B and 1C); for all other entities the grading will be valid for a period of one year, to offer them an opportunity to move up the grading scale.

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GRADING FRAMEWORK

1. Framework for System Integrators (SI's) –

System Integrators are entities involved in the end to end execution of the entire project and will also be responsible for maintenance of the project

Performance Capability	Financial Strength
1. Promoter's Track Record a) Solar Capacity Installed b) Promoter's relevant track record c) Quality of second tier management team	**1. Sales** **2. Return on Capital Employed** **3. Total Outside Liabilities / Tangible Networth** **4. Interest Coverage Ratio** **5. Net Worth** **6. Banker's Feedback on account conduct and integrity** **7. Current Ratio**
2. Technical Expertise and Adequacy of Manpower a) Technical Expertise b) Adequacy of Manpower	
3. Quality of Supplier And Tie-Ups a) Quality of Suppliers b) Supplier Feedback	
4. Customer And O&M Network a) Customer Feedback b) O&M capabilites	
PERFORMANCE CAPABILITY GRADING	**FINANCIAL STRENGTH GRADING**

FINAL GRADING

COMPANY PROFILE

L.N. Enterprises

BACKGROUND

- L.N. Enterprises was established in year 1996 as a proprietorship concern company by Mr. Tej Prakash Joshi as a proprietor of the company.
- The company is engaged in designing, providing, installing, commissioning testing, maintaining, repairing and system integrating of solar power system.
- Company also provides railway signaling services to rail infrastructure, presently, on Indian Railways, along with that company has completed set of professional and state-of-art skills for development, design, verification and validation, principles testing, commissioning and certification of signaling systems.
- The company is led by well-rounded, skilled, qualified and experienced management team who is responsible to deliver the quality services to its clients.

Date of Incorporation	:	06/Jun/1996		
Corporate / Legal Status	:	Proprietorship Concern		
Business of the Company	:	Engaged in Designing, Providing, Installing, Commissioning Testing, Maintaining and Repairing Solar Power System		
Certification / Accreditation	:	NSIC		
Number of Projects Executed	:	07		
Technology Installed	:	Off Grid	On Grid	Hybrid
Registered Office	:	7, Kesargarh Compound, J.L.N. Marg, Jaipur - 302 004 Rajasthan India		
Registered Office Telephone		(0141) (2566051) / (91) (9414072805)		
Website		www.lneipl.com		
Email Id		lnejpr@gmail.com		
Contact Person	:	Mr. Tej Prakash Joshi, Proprietor		
Number of Employees	:	09		

GRADING

RECOMMENDATIONS

STRENGTHS

- **Experienced & qualified execution team (Promoters & second line of management):**
  The promoters have industry experience of almost a decade in managing the affairs of the business. Further, the second tier management who comes from technical background and rich industrial experience manages and monitors the execution and developments of the projects.

- **Healthy financial risk profile:**
  The healthy financial risk profile of the company is marked by increasing equity base during the given period, low gearing, and good profitability indicators. Comfortable interest coverage ratio stands at 3.86 in FY 2015 and healthy liquidity position indicated by current ratio stands at 1.43 as on 31st March 2015. Further company has good return on capital employed, coupled with good net profit margin during the period under study.

- **Positive feedback provided by key client:**
  The team received positive feedback from the major clients and projects have been working in a smooth manner. L.N. Enterprises executed the projects in a timely manner and has been responsive after implementation of projects.

WEAKNESSES

- **Highly fragmented & Intense competition:**
  The industry is highly fragmented and large number of unorganized players would lead to high level of competition putting pressure on margins.

- **Moderate levels of installations:**
  It has so far executed only 07 projects and relatively moderate installation levels in solar PV. The company has executed cumulative capacity of 400 KWp till date.

PERFORMANCE CAPABILITY

➢ Promoters / Partners Track Record

Solar Capacity Installed & Promoter's relevant execution track record

- The company has so far executed around 07 projects.
- The company has installed a cumulative capacity of 400 KWp till date.
- The Company has orders in hand for the installation of solar projects of the capacity of 56 KWp and the total project cost is of Rs 0.6 crores.

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Solar Projects Executed

Name of The Project	Type	Capacity	Location	Cost (Rs. Crores)	Client
Provision of Solar panel System with modules of Integrated Power supply system for strengthening the signalling power supply system on MWW, PSL, AIA, KNGT, CKS, CHNN, SIRAS & CKB Stations on Jaipur Division.	Solar	500 panels of 80 watt each (Total 40 KWp)	Jaipur Division of North Western Railway	0.69	North Western Railway
Supply, installation, testing and commissioning of solar panel for reliable power Supply for Signaling installation in Dhoswas-Neemuch Section of Ratlam division."	Solar	840 panels of 80 watt each (Total 67.2 KWp)	Ratlam Division of North Western Railway	1.38	Western Railway
Provision of Solar Power Pack (10 KW) at DESHNOKE Station over Jodhpur division.	Solar	42 panels of 250 watt each (Total 10.5 KWp)	Jodhpur Division of North Western Railway	0.14	North Western Railway
Signalling work in connection with Up gradation of LC No. 211,243, 249 in BKI-JP-FL , LC 73 JP-SWM section , LC 151 in RPC section in 'Special' class and LC 1 between FL-BNWS in B-1 Class in FL-MD Section on Jaipur Division."	Signalling with installation of solar panels	123 panels of 80 watt each (Total 9.84 KWp)	Jaipur Division of North Western Railway	0.16	North Western Railway
Signalling work in connection with Standardization of Road user signals circuit at 33 interlocked LC gates during normal and chain/ sliding boom working for displaying Aspect in MD-JP-SWM-RE section on JP	Signalling with installation of solar panels	72 panels of 80 watt each (Total 5.76 KWp)	Jaipur Division of North Western Railway	0.14	North Western Railway

Division."					
Signalling work in connection with Up gradation of LC 156 & 193and LC116,142 (A to Spl) , LC 60C, LC62 , LC 157 , 175 , LC 151, 166, LC 69 & 86 (C to Spl), LC 58 B & 140 (B to Spl) in JP-RE Section on Jaipur Division."	Signalling with installation of solar panels	436 panels of 80 watt each (Total 34.88 KWp)	Jaipur Division of North Western Railway	0.79	North Western Railway
"Signalling work in connection with Provision of Junction arrangement with NWR at Phulera, Hirnoda and New Ateli station total 3 stations carried out by division related to construction of Dedicated Freight Corridor in RPC Section on Jaipur Division (outdoor work)."	Signalling with installation of solar panels	187 panels of 80 watt each (Total 14.96 KWp)	Jaipur Division of North Western Railway	0.20	North Western Railway
Total	**-**	**-**	**-**	**3.5**	**-**

Solar Projects in Pipeline

Name of The Project	Type	Capacity	Location	Cost (Rs. Cr)	Client
Supply, installation, testing and commissioning of Solar power supply system for signalling power supply at Seven Stations on Ratlam	Solar	56 KWp	Ratlam Division of Western Railway	0.60	Western Railway

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➢ Technical Expertise and Adequacy Of Manpower

<u>Quality of Second Tier Management Team for Solar Business</u>

Name	Qualification	Department	Role	Experience
Mr. Mohit Mudgal	B.Tech. CCNA	Technical	Manager (Technical)	3 Years
Mr. Suresh Yadav	Microsoft certified MCSE, CCNA, RHCE	Technical	Sr. Supervisor (S&T Works)	8 Years
Mr. Puneet Dagor	BCA, pursuing MCA	Technical	System Analyst	3 Years
Mr. Anuj Sharma	-	Accounts & Purchase	Assistant Manager	15 Years
Mr. Lokesh Sharma	Post Graduate	Supervision	Supervisor (S&T Works)	10 Years
Mr. Ram Shay	ITI	Technical	Wireman	15 Years
Mrs. Gejunia Sharma	Post Graduate	Administration	Office Co-ordinator	10 Years
Mrs. Vineeti Yadav	Graduate	Administration	Office Co-ordinator	10 Years

Team's assessment:

- The company has a skilled, qualified and dedicated team in second tier management with blend of knowledge and experience.
- Although looking at the current scale of operation the second tier managements are capable enough to execute projects in hand.

Experienced & Qualified Management

Name	Designation	Stake (%)	Department	Qualification	Solar Work Experience
Mr. Tej Prakash Joshi	Proprietor	100.00	Procurement and Tendering	Engineering in Electronic and Telecommunication	05 Years

➢ Quality Of Supplier And Tie-Ups

Quality of Supplier

List of Suppliers of Solar Business

Name of the Suppliers	Products procured	Length of relationship
Precision engineering & Fabricators	Solar Chargers	07 Years
Tata Power Solar Systems Limited	Solar Panels	04 Years
Electric Industries	Battery chargers	16 years
Titan Consultant & Services Limited	Solar Panels	04 years
Sarweshwar Industries	Solar Structures	10 years
Sonali Solar	Solar panels	02 years
System engineering	Fuses and electric equipments	10 years
Delton Cables	Cables	12 years
Prime Power Agencies	Solar panels	04 years
Enertech UPS Private Limited	Solar inverters	01 year

Supplier feedback

Overall feedback of customers has been satisfactory.

➢ Customer And O&M Network

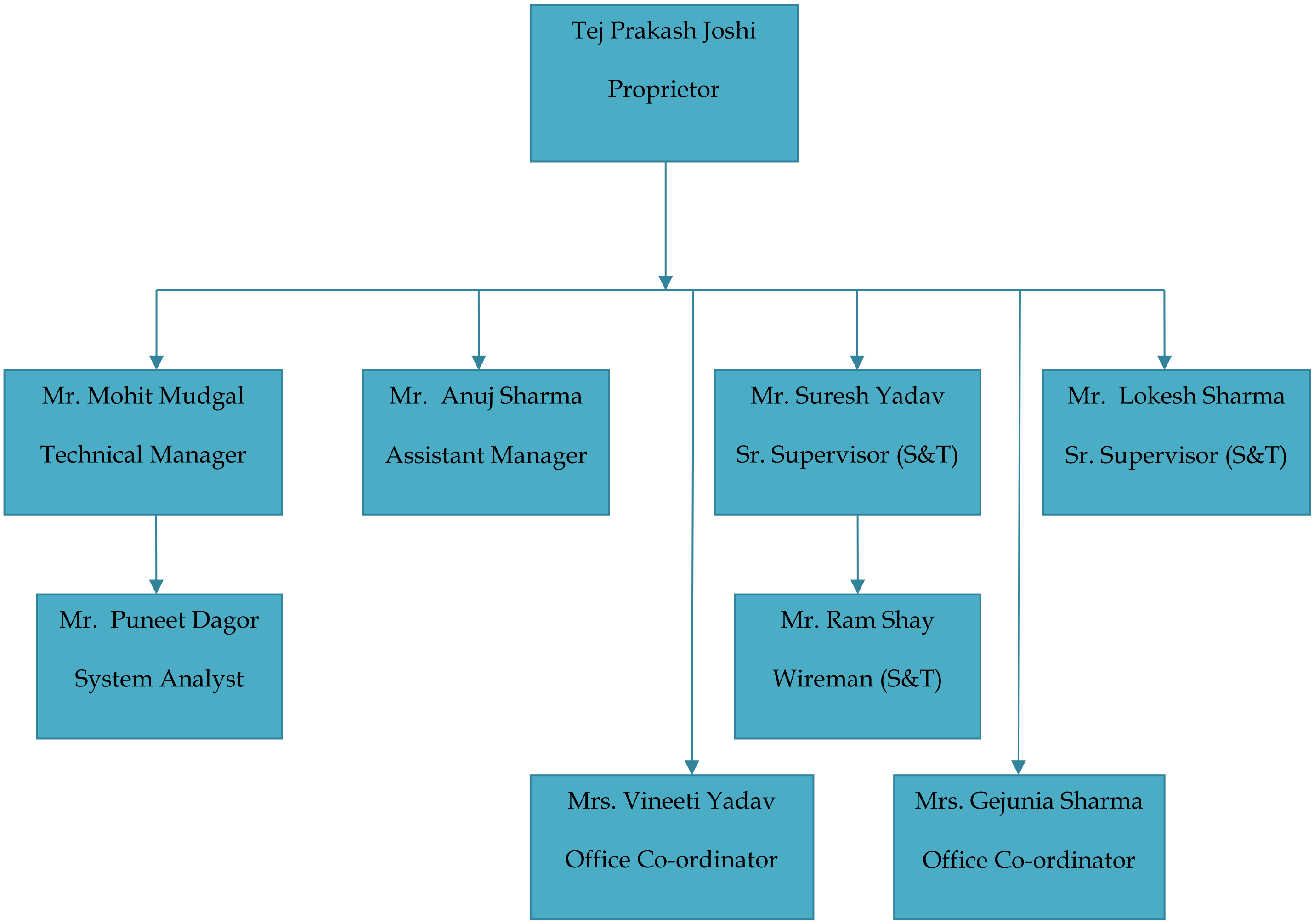
List of Customers of Solar Business

Name of the Company	Products Sold	Length of relationship
Jaipur Division of North Western Railway	Solar System	16 years
Jodhpur Division of North Western Railway	Solar System	10 years
Ratlam Division of Western Railway	Solar System	05 years
Ahmedabad Division of Western Railway	Solar System	04 years
Working virtually on entire Indian Railways	Signalling Systems	16 years

Customer Feedback:

Overall feedback of customers has been satisfactory.

Organisational Structure



Grading Assessment Sheet – Performance capabilities

Parameters	Grading Sensitivities
Promoter Track record	
Solar capacity installed	↑ All the projects were executed in timely manner. ↔ The company has installed cumulative capacity of 400 KWp till date. ↑ The company has executed around 07 projects up till date.
Promoter's relevant track record	↑ The promoter of the company has strong academic qualifications with technical expertise.
Quality of second tier management team	↑ The second tier management consists of 09 core employees having sufficient work experience in the field of solar.
Technical Expertise & Adequacy of Manpower	
Technical Expertise	↑ The company executed approx. 07 projects with high quality standards. ↑ The second level of management comes with adequate technical expertise and industry experience.
Adequacy of Manpower	↑ Team consists of 09 core employees including technical & non-technical staff.
Quality of Supplier And Tie-Ups	
Quality of suppliers	↑ The company procures from high quality suppliers and quality of products supplied is of high efficiency. ↑ Diversified Supplier base with reputed names.
Supplier feedback	↑ Feedback of supplier has been satisfactory.
Customer And O&M Network	
Customer Feedback	↑ Feedback of customer has been good. ↑ Projects are working in smooth manner.
O&M capabilities	↑ The company has been responsive as far as O&M is concerned.
Performance Capability Grading	**Moderate**

FINANCIAL STRENGTH

FINANCIAL PERFORMANCE

Statement (End) Date	31-Mar-2013	31-Mar-2014	31-Mar-2015
Current Assets	10,086	11,104	13,600
Current Liabilities	5,038	6,569	9,539
Working Capital	5,048	4,535	4,061
Other Tangible Assets	1,440	3,041	2,972
Non-Current Liabilities	3,656	4,372	3,083
Tangible Net Worth	2,832	3,204	3,950
Secured Loans	0	1,042	3,294
Unsecured Loans	3,656	3,330	2,742
Cash & Bank	1,350	2,377	492
Accounts Receivable	2,357	0	0
Fixed Assets	1,404	3,005	2,926
Accounts Payable	4,905	5,981	6,379
Inventory	496	106	838
Income	29,019	27,584	28,406
Net Profit	1,284	1,218	1,351

FINANCIALS

Profit & Loss Account (` in Thousands)

Financial Year	2013	2014	2015
Months covered by P/L	**12**	**12**	**12**
Income	**29,019**	**27,584**	**28,406**
Cost of Sales	**(26,384)**	**(25,752)**	**(25,876)**
Employee Cost	(2,775)	(2,775)	(2,923)
Rent / Repairs and Maintenance	(66)	(105)	(77)
Electricity Charges	(22)	(40)	(85)
Job Work Charges	(22,711)	(21,318)	(22,167)
Other Direct Expenses	(825)	(1,118)	(1,122)
Raw Material Consumption Cost	15	(396)	498
Gross Profit	**2,635**	**1,832**	**2,530**
Depreciation	(104)	(123)	(111)
General Operating Expenses	(1,333)	(683)	(1,196)
Net Operating Profit After Depreciation and Before Interest	**1,198**	**1,026**	**1,223**
Non-Operating Income	364	567	683
Finance Expenses	(278)	(375)	(555)
Net Profit	**1,284**	**1,218**	**1,351**

The above figures are taken from audited financials of the company.

Fiscal Balance Sheet (₹ in Thousands)

Date	31/Mar/2013	31/Mar/2014	31/Mar/2015
Current Assets			
Cash & Bank	1,350	2,377	492
Inventory	496	106	838
Accounts Receivable	2,357	0	0
Security deposits	4,294	5,609	7,818
Advances to suppliers	170	963	1,404
Other Current Assets	1,419	2,049	3,048
Total Current Assets	**10,086**	**11,104**	**13,600**
Fixed Assets			
Land & Buildings	865	1,560	2,425
Plant & Equipment	0	3	3
Other Fixed Assets	539	1,442	498
Total Fixed Assets	**1,404**	**3,005**	**2,926**
Investments			
Other Investments	36	36	46
Total Investments	**36**	**36**	**46**
Total Assets	**11,526**	**14,145**	**16,572**

Liabilities			
Current Liabilities			
Current Liabilities			
Accounts Payable	4,905	5,981	6,379
Secured Loans from Banks	0	0	2,953
Other Current Liabilities	133	588	207
Total Current Liabilities	**5,038**	**6,569**	**9,539**
Non-Current Liabilities			
Secured Loans from Banks	0	1,042	341
Due to Relatives / Friends /Related Entities	3,656	3,330	2,742
Total Non-Current Liabilities	**3,656**	**4,372**	**3,083**
Equity			
Capital	2,832	3,204	3,950
Total Equity	**2,832**	**3,204**	**3,950**
Total Liabilities	**11,526**	**14,145**	**16,572**

Financial Ratios

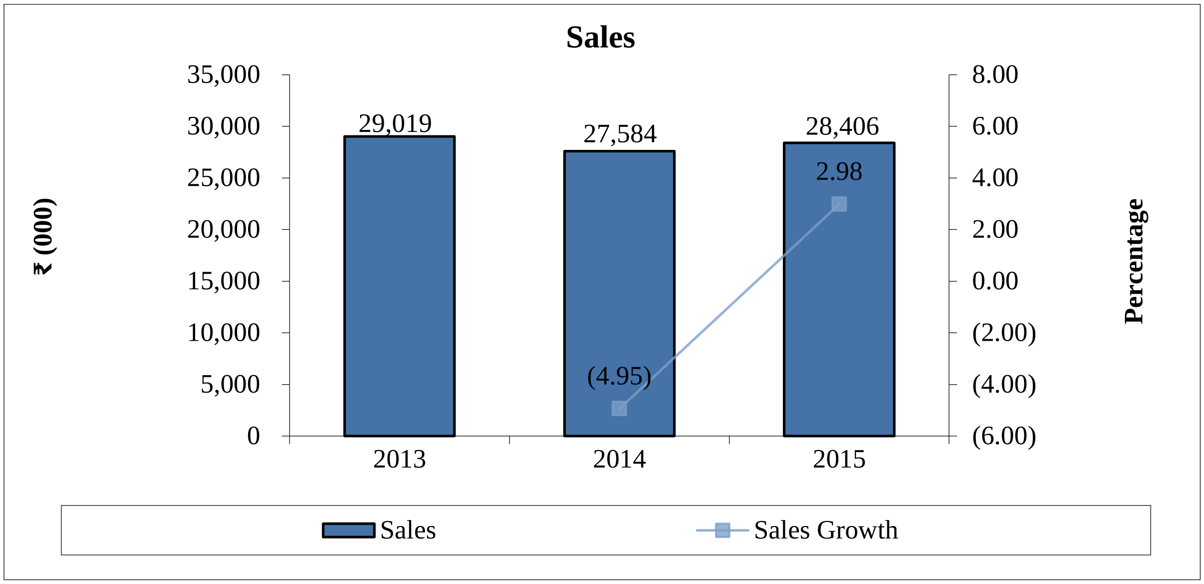
Financial Ratios	2013	2014	2015
Growth Ratios			
Sales Growth (%)	-	(4.95)	2.98
Net Profit Growth (%)	-	(5.14)	10.92
Turnover Ratios			
Collection Period (Days)	30	-	-
Account Payable (Days)	79	102	104
Inventory Holding period (Days)	6	1	11
Gross Working Capital (Related to operation) to sales (Days)	127	147	175
Sales to Net Working Capital (Times)	5.75	6.08	6.99
Assets to Sales (%)	39.72	51.28	58.34
Fixed Assets Turnover Ratio	20.67	9.18	9.71
Profitability Ratios			
Gross Profit Margin (%)	9.08	6.64	8.91
Operating Profit Margin (%)	4.13	3.72	4.31
Net Profit Margin (%)	4.42	4.42	4.76
Return on Assets (%)	11.14	8.61	8.15
Return on Net Worth (Return on Equity) (%)	45.34	38.01	34.20
Return on Capital Employed (%)	24.08	21.03	19.09
Liquidity Ratios			
Quick Ratio	1.90	1.67	1.34
Current Ratio	2.00	1.69	1.43
Gearing & Solvency Ratios			
Fixed Assets to Tangible Net Worth (%)	49.58	93.79	74.08
Current Liabilities to Tangible Net Worth (%)	177.90	205.02	241.49
Total Liabilities to Tangible Net Worth (%)	306.99	341.48	319.54
Total Debt to Equity Ratio	1.29	1.36	1.53
Long Term Debt Equity Ratio	1.29	1.36	0.78
Interest Coverage Ratio	6.71	5.17	3.86

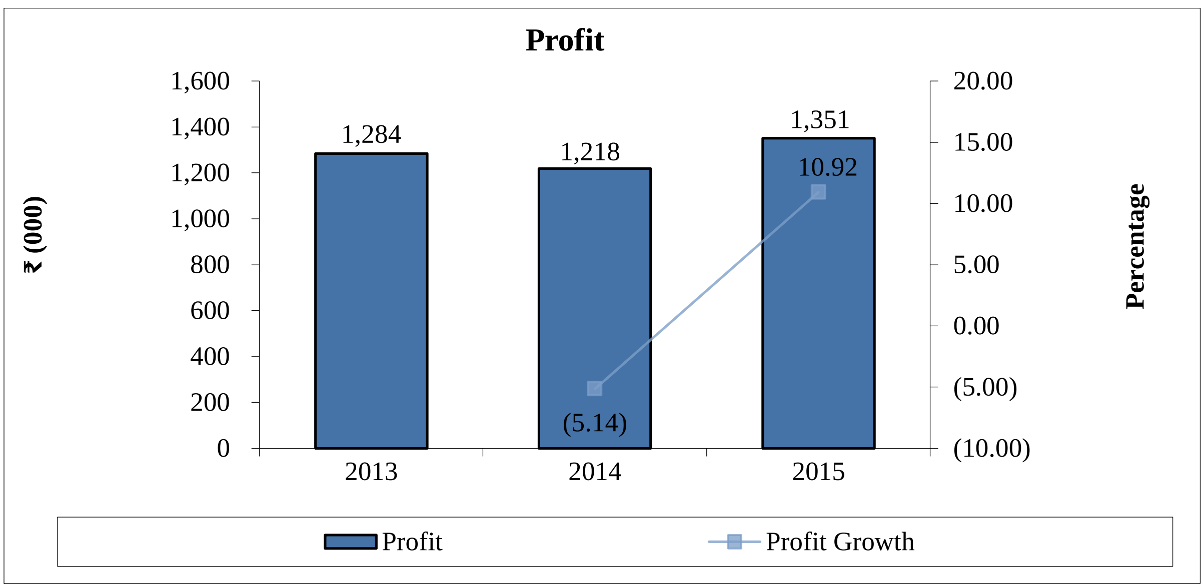
SMERA RATINGS LIMITED

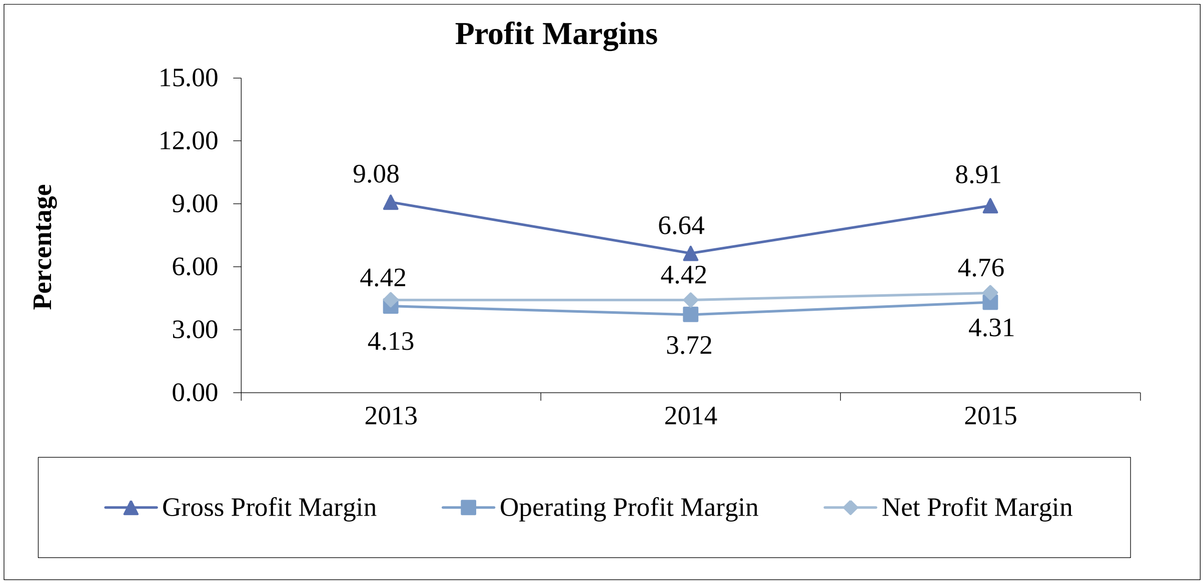
Cash Flow Statement from Operations (Rs in Thousands)

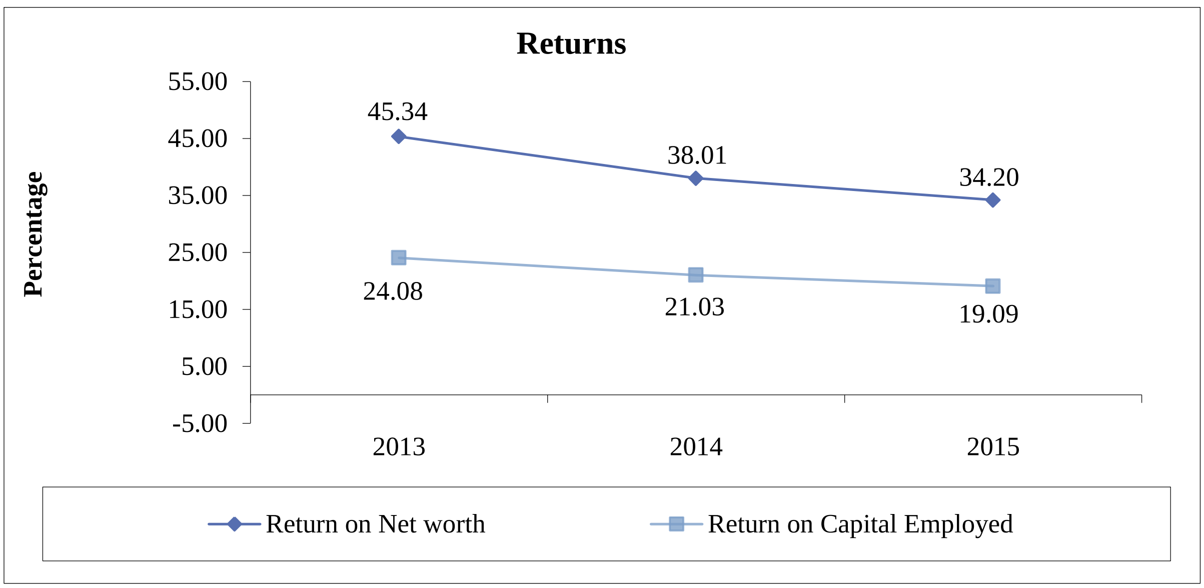
CASH FLOW FOR THE YEAR ENDED	2014	2015
MONTHS	**12**	**12**
CASH FLOW STATEMENT FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	**1,218**	**1,351**
Adjustments for:		
Depreciation	123	111
Non-Operating Income	(567)	(683)
Interest Expense	375	555
Subtotal	(69)	(17)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**1,149**	**1,334**
Adjustment for:		
Accounts Receivables	2,357	0
Other Receivables (Inclusive of Taxes)	(2,738)	(3,649)
Inventories	390	(732)
Trade Payables	1,076	398
Other Payables	455	(381)
Net Cash from Operating Activities	**2,689**	**(3,030)**

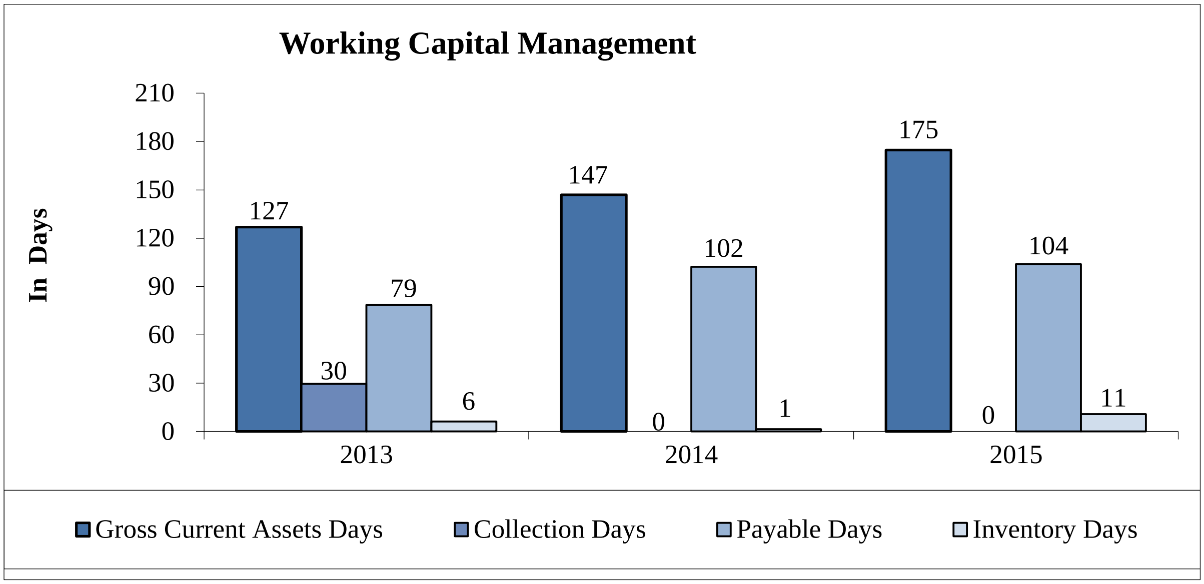
GRAPHICAL REPRESENTATION

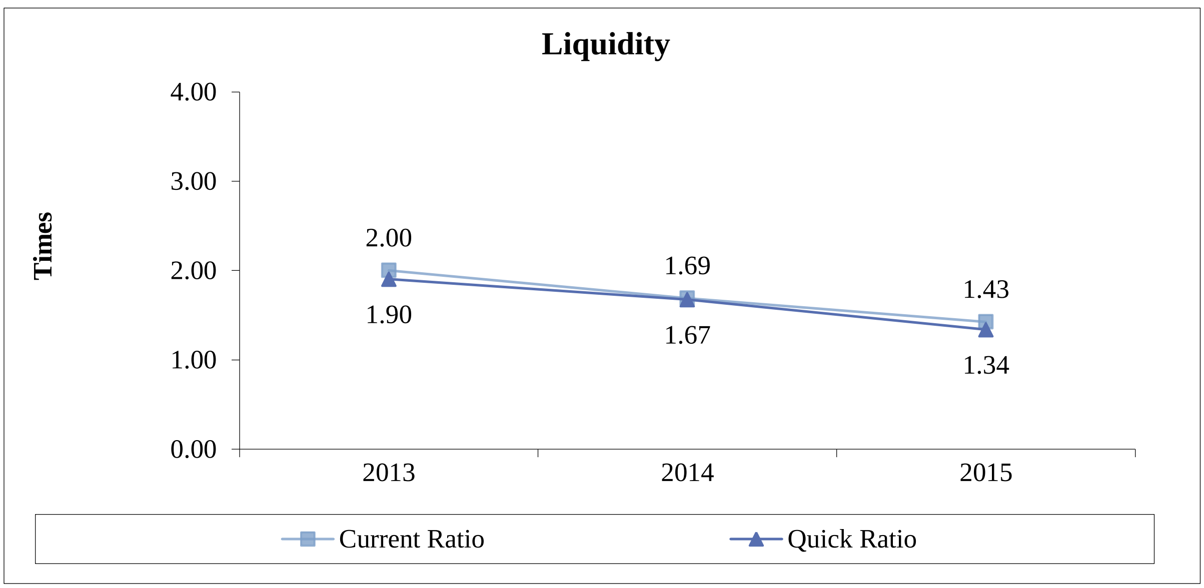


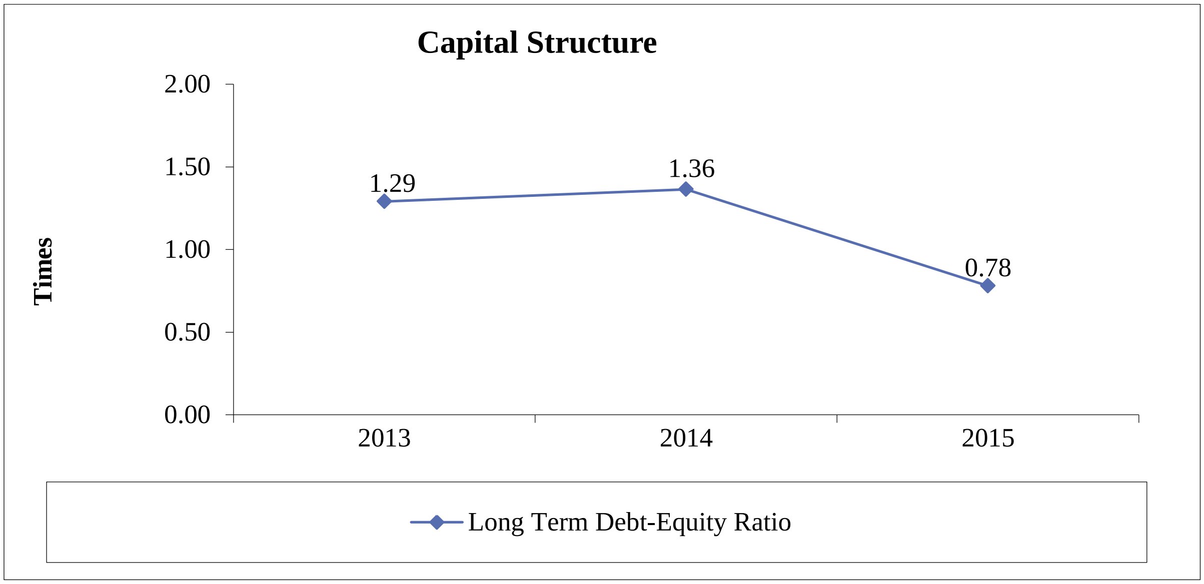


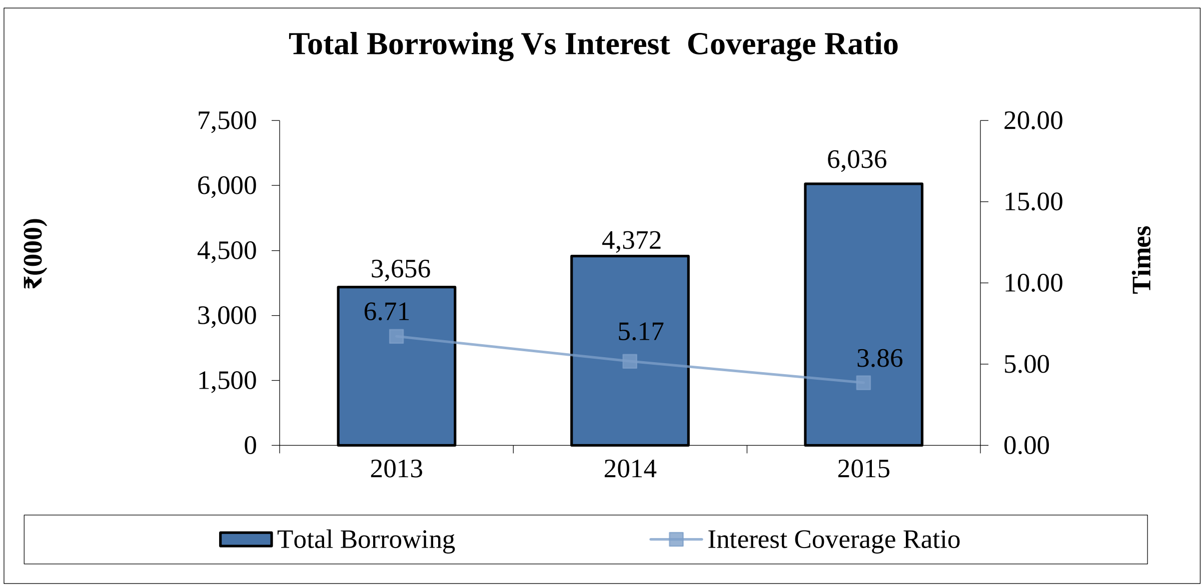

Profit Margins
Percentage
15.00
12.00
9.00
6.00
3.00
0.00
9.08
6.64
8.91
4.42
4.42
4.76
4.13
3.72
4.31
2013
2014
2015
Gross Profit Margin
Operating Profit Margin
Net Profit Margin


Returns
Percentage
55.00
45.00
35.00
25.00
15.00
5.00
-5.00
45.34
38.01
34.20
24.08
21.03
19.09
2013
2014
2015
Return on Net worth
Return on Capital Employed


Working Capital Management
In Days
210
180
150
120
90
60
30
0
127
30
79
6
147
0
102
1
175
0
104
11
2013
2014
2015
Gross Current Assets Days
Collection Days
Payable Days
Inventory Days


Liquidity
Times
4.00
3.00
2.00
1.00
0.00
2.00
1.90
1.69
1.67
1.43
1.34
2013
2014
2015
Current Ratio
Quick Ratio


Capital Structure
Times
2.00
1.50
1.00
0.50
0.00
1.29
1.36
0.78
2013
2014
2015
Long Term Debt-Equity Ratio


Total Borrowing Vs Interest Coverage Ratio
₹(000)
7,500
6,000
4,500
3,000
1,500
0
3,656
4,372
6,036
6.71
5.17
3.86
2013
2014
2015
20.00
15.00
10.00
5.00
0.00
Times
Total Borrowing
Interest Coverage Ratio

OF BUILDING TRUST & CREDIBILITY

SMERA RATINGS LIMITED

Grading Assessment Sheet- Financial Strength

Financial Strength	**Rating Sensitivities**
Sales	↑ High scale of operations with revenue of ₹ 2.84 crores for FY 2015.
Return on capital employed	↑ The company's ROCE is high and stands at 19.09 percent for FY 2015.
Total Outside Liabilities/ Tangible Net worth	↑ The TOL/TNW is high and stands at 3.19 times for FY 2015.
Net worth	↔ Moderate tangible net worth base. ↔ The company's net worth stood at 39.50 lakhs as on 31/Mar/2015.
Debt to Equity Ratio	↑ Debt to equity ratio stands at 0.78 times as on 31/Mar/2015.
Current Ratio	↑ The current ratio stands at 1.43 times as on 31/Mar/2015.
Financial Strength Grading	**High**

MANAGEMENT DISCUSSION

The gist of discussion is as follows:-

About the company:

- L.N. Enterprises was established in year 1996 as a proprietorship concern company by Mr. Tej Prakash Joshi as a proprietor of the company.
- The company was into railway signaling services since establishment. Further, it has extended the process using solar products from FY 2011.
- The company is engaged in designing, providing, installing, commissioning testing, maintaining, repairing and system integrating of solar power system.
- Company also provides railway signaling services to rail infrastructure, presently, on Indian Railways, along with that company has completed set of professional and state-of-art skills for development, design, verification and validation, principles testing, commissioning and certification of signaling systems.

Products

System integrating of various solar products.

On O&M:

As per the feedback from the customers, company's O&M service are in tune for them.

Future Plans:

Company has planned to expand its operational activities by taking the order of private companies along with working government companies.

Site photos