

Press Release

Nutan Eco Power

04 September, 2017



Rating Upgraded

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| Total Bank Facilities Rated* | Rs. 9.00 Cr |
| Long Term Rating | SMERA B+/Stable (Upgraded from SMERA D) |

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating on the Rs.7.15 crore bank facility to '**SMERA B+**' (read as **SMERA B plus**) from '**SMERA D**'. Further, SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.1.85 crore bank facility of Nutan Eco Power (NEP) The outlook is '**Stable**'.

NEP is an Ahmedabad-based partnership firm established in 2014 by Mr. Dipal B. Patel and Mrs. Dimple D. Patel. The firm is engaged in wind power generation and has installed a wind mill of 2.10 megawatt (MW) capacity under a PPA (Power Purchase Agreement) with Gujarat Urja Vikas Nigam Limited (GUVNL) near Porbandar, Gujarat. The PPA has been signed for the next 25 years at the rate of Rs.4.15 per unit. The firm commenced commercial operations from August, 2015 with technical support from Suzlon Energy for generation and supply of electricity to GUVNL.

List of key rating drivers and their detailed description

Strengths:

Low off take risk

As per the PPA signed with GUVNL, NEP is expected to get Rs. 4.15 per unit of power for the next 25 years. Further, NEP will also get Rs. 0.50 per unit with an upper ceiling of Rs. 2.10 crore per annum from the central government.

Weaknesses

Limited operational track record

The firm has limited operational track record as it commenced operations from August 2015.

Stretched receivables

The wind power generated by NEP is only supplied to GUVNL (Gujarat Urja Vikas Nigam Limited). However, there have been delays in receipt of payment from GUVNL for the past two months. Going forward, the firm's ability to realise its receivables in a timely manner will be a key rating sensitivity factor.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the firm for arriving at the rating.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that NEP will maintain a stable outlook over the medium term on account of the low off take risk owing to the PPA. The outlook may be revised to 'Positive' in case of higher than expected infusion of funds by promoters along with substantial decline in operating costs. Conversely, the outlook may be revised to 'Negative' in case of significant increase in gearing.

About the Rated Entity –Key Financials

For FY2017, NEP reported Profit after Tax (PAT) of Rs.0.24 crore on total operating income of Rs.2.24 crore compared with PAT of Rs (0.79) crore on total operating income of Rs.0.93 crore in FY2016. The tangible net worth stood at Rs. 4.43 crore as on 31 March, 2017 as against Rs. 4.39 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

| Date | Name of the Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|---------------|------------------------|-----------|--------------------|--------------------|
| 21 June, 2016 | Term Loan | Long Term | 9.00 | SMERA D (Assigned) |

*Annexure – Details of instruments rated:

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|-------------|---------------|-------------------------------|---|
| Term Loan | N.A | N.A | June, 2024 | 7.15 | SMERA B+/Stable (Upgraded from SMERA D) |
| Proposed Term Loan | N.A | N.A | N.A. | 1.85 | SMERA B+/Stable (Assigned) |

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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