

SLS Power Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Secured Overdraft	9.60	SMERA B-/Stable (Assigned)
Term Loan	8.65	SMERA B-/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)

SMERA has assigned rating of '**SMERA B-**' (**read as SMERA B minus**) and '**SMERA A4**' (**read as SMERA A four**) on the Rs.23.25 crore bank facilities of SLS Power Limited (SPL). The outlook is '**Stable**'.

The ratings are constrained by the company's below average financial risk profile and stretched working capital cycle. However, the ratings draw comfort from the experienced management and the assured off take on account of long term power purchase agreement.

SPL, incorporated in 1998, is a Nellore-based company engaged in the generation of biomass energy from agricultural waste. The company has below average financial profile marked by inadequate coverage ratio with Interest coverage ratio of 1.76 times and debt service coverage ratio of 0.47 times. The net cash accruals to total debt (NCA/TD) stood at 0.13 times for FY2014-15 (refers to financial year, April 01 to March 31). Further, the working capital cycle of the company is stretched at 419 days for FY2014-15.

However, the ratings draw comfort from the experienced management. The promoters, Mr. V. Chenchaiah and Mr. M. S. Badri Narayan possess more than three decades of experience in power generation. Further, the ratings also factor in the assured off take on account of long term power purchase agreement with The Transmission Corporation of Andhra Pradesh (APTRANSCO).

Rating Sensitivity Factors

- Scaling up operations while maintaining adequate profitability
- Effective working capital management
- Debt funded capital expenditure plan

Outlook-Stable

SMERA believes that SPL will maintain a stable outlook over the medium term and benefit from its experienced management. The outlook may be revised to 'Positive' if the company registers significant and sustained improvement in profitability and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of lower than expected cash accruals resulting in stretched liquidity profile.

About the Company

SPL, incorporated in 1998, is a Nellore-based company promoted by Mr. M. S. Badrinarayana and Mr. V. Chenchaiah. The company is engaged in the generation of biomass energy from agriculture waste and has a production capacity of 6 MW per annum.

For FY2014-15, SPL reported net profit of Rs.0.26 crore on operating income of Rs.7.82 crore, as compared with net profit of Rs.0.04 crore on operating income of Rs.10.23 crore in FY2013-14. Further, SPL has reported profit before tax of Rs.0.80 crore on operating income of Rs.23.12 crore in FY2015-16 (provisional).

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ABOUT SMERA

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