

Sree Minerals: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Term Loan (Proposed)*	26.00	SMERA B+/Stable (Assigned)

*Receivables Securitization Loan

SMERA has assigned rating of '**SMERA B+**' (read as SMERA B plus) to the Rs.26.00 crore bank facility of Sree Minerals (SM). The outlook is "**Stable**".

The rating draws comfort from its long term power purchase agreement (PPA) that limits its off-take risk. The rating also notes the experienced management. However, the rating is constrained by the stretched liquidity position of the firm, unpredictability of plant load factor (PLF) and the partnership constitution of the firm.

SM is a partnership firm established in 2006 by Mr. B. V. Srinivasa Reddy and Mrs. Srilata Reddy. The firm is engaged in wind power generation since 2009. The firm benefits from the experience of its managing partner Mr. B. V. Srinivasa Reddy who possesses around seven years of experience in the wind industry. The firm has signed three PPAs, with Bangalore Electricity Supply Company Limited (BESCOM); Gulbarga Electricity Supply Company Limited (GESCOM) and Chamundeshwari Electricity Supply Company Limited (CESC) for 20 years, five years and 20 years respectively.

However the ratings are constrained by the stretched liquidity position marked by high receivable days of 496 days for FY2015-16 (provisional) as against 633 days in the previous year. The total receivables of Rs.15.58 crore as on 31st March, 2016 (provisional) includes Rs.9.10 crore which is outstanding for more than three years. The firm expects to receive the same in the current financial year. Besides, power generation is dependent on variation in wind conditions affecting the plant load factor (PLF).

The rating also notes the partnership constitution of the firm and vulnerability to risk of capital withdrawal.

Rating Sensitivity Factors

- Quick recovery of receivables
- Deterioration of the capital structure
- Effective working capital management

Outlook -Stable

SMERA believes that Sree Minerals will maintain a stable outlook during the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers higher than expected revenue and maintains profitability. Conversely, the outlook will be revised to 'Negative' in case of significant decline in revenue and profitability or if the firm registers larger than expected debt funded capex leading to strain on its debt servicing ability.

About the Firm

SM was established as a partnership firm in 2006 by Mr. B. V. Srinivasa Reddy and his wife Mrs. Srilata Reddy to trade and transport iron ore. Subsequently, from 2009, the firm entered into wind power generation. It has three wind mills in Karnataka with a total installed capacity of 16.20 megawatt (MW) and PPA with BESCOM, GESCOM and CESC for 20 years, 5 years and 20 years respectively. The technical support is provided by Suzlon Energy for generation and supply of electricity.

In FY2014-15, SM reported net profit Rs.2.90 crore on operating income of Rs.12.69 crore, as compared to net profit of Rs.1.82 crore on operating income of Rs.13.71 crore in the previous year. Further, the firm has reported profit after tax of Rs.1.50 crore on operating income of Rs.12.37 crore for FY2015-16 (provisional).

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.