

Press Release

SREE MINERALS

March 15, 2018



Rating Assigned

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 70.00 Cr. |
| Long Term Rating | SMERA BB- /Outlook: Stable |

**Refer annexure for details*

SMERA has withdrawn the long term rating of '**SMERA B+** (read as **SMERA B plus**) on the Rs.26.00 crore bank facility of Sree Minerals (SM). Further SMERA has assigned the long term rating of '**SMERA BB-** (read as **SMERA double B minus**) on the Rs. 70.00 cr. bank facilities of Sree Minerals (SM). The outlook is '**Stable**'.

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.

Key rating drivers

Strengths

Experienced management

SM was established in the year 2006 by Mr. B. V. Srinivasan Reddy. The promoter has around two decades of experience in the trading of iron ore, transportation and wind mill business. Further, the operation & maintenance of the wind mill is handled by Suzlon Infrastructure Private Limited, a reputed player in the field of wind energy solutions.

Stable revenue stream arising out of long term PPA

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.

Healthy operating margin

EBITDA margin of the firm stood at 81.60 percent for FY 2017 as against 75.42 percent for FY 2016. Operating costs mainly includes operation & maintenance expenses that the company has to pay to Suzlon. Apart from this there are no major operating expenses.

Weaknesses

Stretched receivable days

The receivables of Rs. 16.95 crore were outstanding as on 31st March, 2017 which includes receivables from Suzlon Infrastructure Private Limited of Rs. 9.10 crore. These receivables are outstanding for more than three years. However, same is expected to be receiving in FY 2017-18. Further the debtor days stood at 481 in FY2017 as compared to 403 days in FY2016.

Risk of capital withdrawal

The partnership constitution of the firm makes it vulnerable to the risk of capital withdrawal.

Power generation dependent on variation in wind conditions

The peak season for wind flow is mainly between May-October with June-September being the peak season.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SM to arrive at the rating.

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 company registers higher than expected revenue and maintains its profitability. Conversely, the outlook will be revised to 'Negative' in case of significant decline in company's revenue and profitability or in case of larger than expected debt funded capex plan leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 15.71 | 12.37 | 12.69 |
| EBITDA | Rs. Cr. | 12.82 | 9.33 | 10.48 |
| PAT | Rs. Cr. | 7.00 | 3.65 | 2.90 |
| EBITDA Margin | (%) | 81.60 | 75.42 | 82.56 |
| PAT Margin | (%) | 44.52 | 29.54 | 22.83 |
| ROCE | (%) | 24.17 | 10.42 | 18.32 |
| Total Debt/Tangible Net Worth | Times | 0.02 | 0.01 | 0.08 |
| PBDIT/Interest | Times | 12.33 | 89.71 | 11.17 |
| Total Debt/PBDIT | Times | 0.06 | 0.03 | 0.30 |
| Gross Current Assets (Days) | Days | 767 | 661 | 931 |

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|-------------------|
| 15-Dec-2017 | Proposed Long Term Loan | Long Term | INR 26 | SMERA B+/ Stable |
| 19-Sep-2016 | Proposed Long Term Loan | Long Term | INR 26 | SMERA B+ / Stable |

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 (Proposed) | Not Applicable | Not Applicable | Not Applicable | 26.00 | SMERA B+/Stable (Withdrawn) |
| Proposed Overdraft | Not Applicable | Not Applicable | Not Applicable | 70.00 | SMERA BB-/ Stable (Assigned) |

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ABOUT SMERA

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