

Press Release

NUETECH SOLAR SYSTEMS PRIVATE LIMITED

February 07, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 13.00 crore bank facilities of NUETECH SOLAR SYSTEMS PRIVATE LIMITED. The outlook is '**Stable**'.

Bengaluru based Nuetech Solar Systems Private Limited (NSSPL), established in 1992 by Mr. Surendra Kumar as a proprietorship firm, was incorporated into a private limited company in 2002. The company is engaged in the manufacture and distribution of solar thermal products like water purifiers, solar PVs etc. The installed capacity stands at 1,500 units per month.

Key Rating Drivers

Strengths

- **Long track of operations and experienced management.**

NSSPL is engaged in the business of manufacturing and trading solar panel products since 2002. Mr. Surendra Kumar, the Managing Director of the company, has more than two decades of experience in the solar thermal industry.

- **Moderate Financial Risk Profile.**

The financial risk profile of NSSPL is moderate marked by net worth of Rs.9.44 crore as on 31 March, 2017 as against Rs.9.11 crore as on 31 March, 2016. The total debt of Rs.5.00 crore as on 31 March, 2017 comprises of term loan of Rs.0.10 crore and working capital facility of Rs.4.91 crore. Gearing stood at 0.53 times as on 31 March, 2017 as against 1.54 times as on 31 March, 2016. The interest coverage ratio (ICR) stood at 1.48 times for FY2017 as against 1.34 times for FY2016. Total outside liabilities to tangible net worth stood at 1.76 times for FY2017.

Weaknesses

- **Modest scale of operations.**

The company has a more than a decade long presence in the solar thermal industry. The scalability of the company is moderate marked by operating income of Rs. 33.38 crore for FY2017 as compared to Rs. 36.21 crore for FY2016. For 6MFY2018, the operating income stood at Rs.19.37 crore.

- **Working capital intensive nature of business.**

NSSPL's nature of business is working capital intensive marked by gross current assets (GCA) of 209 days for FY2017 as compared to 240 days for FY2016. High GCA days are due to elongated debtor days of 134 in FY2017 while inventory days stood at 51 in FY2017. Further, the working capital facility is being fully utilised during the last three months ending November 2017.

- **Intense market competition.**

The company is exposed to intense competition from cheaper products, leading to pressure on margins and this could continue going ahead as well.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of NSSPL.

Outlook: Stable

SMERA believes that NSSPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected profit margins and an improvement in the liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profit margins and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	33.38	36.21	30.72
EBITDA	Rs. Cr.	1.99	2.06	1.95
PAT	Rs. Cr.	0.23	0.22	1.06
EBITDA Margin	(%)	5.96	5.68	6.36
PAT Margin	(%)	0.70	0.60	3.46
ROCE	(%)	10.83	8.63	16.20
Total Debt/Tangible Net Worth	Times	0.53	1.54	1.86
PBDIT/Interest	Times	1.48	1.34	2.18
Total Debt/PBDIT	Times	2.23	6.53	4.87
Gross Current Assets (Days)	Days	209	240	318

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
05-Oct-2016	Cash Credit	Long Term	INR 10	SMERA BB / Stable
	Bank Guarantee	Short Term	INR 0.6	SMERA A4+
	Proposed Bank Guarantee	Short Term	INR 2.4	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of	Coupon	Maturity	Size of the Issue	Ratings/Outlook
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	Issuance	Rate	Date	(Rs. Cr.)	
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.35	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.40	SMERA BB / Stable

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ABOUT SMERA

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