

Press Release

Sungrace Energy Solutions Private Limited

October 13, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 11.00 crore bank facilities of Sungrace Energy Solutions Private Limited. The outlook is '**Stable**'.

Incorporated in 1999, Sungrace Energy Solutions Private Limited (SESPL) is engaged in the manufacturing of solar products (PV modules, lanterns, street lights, water pumps among others) at Nacharam, Hyderabad. The company is led by Mr. Ravi Kumar Tirunali, Director.

Key Rating Drivers

Strengths

• Experienced management

The company was incorporated in 1999. Mr. Tirunali has more than a decade of experience in the said line of business. The company also has a competent second line of management to manage the day-to-day operations.

• Average financial risk profile

The average financial risk profile is marked by moderate net worth, comfortable debt protection metrics and moderate gearing. The net worth increased to a moderate Rs.5.03 crore in FY2017 (Provisional) compared to Rs.3.82 crore in FY2016. The increase in net worth is on account of accretion of profits to reserves and also due to equity infusion amounting to Rs.0.35 crore in FY2017 (Provisional). The gearing improved but stood moderate at 1.15 times in FY2017 (Provisional) compared to 1.65 times in FY2016 mainly on account of fall in the short term borrowings and increase in the net worth. The interest coverage ratio and DSCR stood comfortable at 2.80 times and 2.28 times in FY2017 (Provisional) respectively compared to 2.85 times and 2.29 times in FY2016. The NCA/TD stood at 0.17 times in FY2017 (Provisional).

Weaknesses

• Moderate scale of operations

While the company commenced operations in 1999, its revenue is at a moderate Rs. 27.19 crore in FY2017 (Provisional). However, the top line has significantly increased to Rs.27.19 crore in FY2017 (Provisional) from Rs.17.41 crore in FY2016 on account of increase in the number of projects.

• Competitive and fragmented industry

The industry is highly fragmented with a large number of unorganised players and competition from Chinese products resulting in pressure on pricing.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SESPL to arrive at the rating.

Outlook: Stable

SMERA believes that SESPL's outlook will remain stable in the medium term owing to its experienced management and healthy demand for solar products. The outlook may be revised to 'Positive' in case the company has a steady and diversified revenue profile with stable operating margins and improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a stretched working capital cycle or fall in revenue.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company registered profit after tax (PAT) of Rs.0.85 crore on operating income of Rs.27.19 crore as against net profit after tax of Rs.0.63 crore on operating income of Rs.17.41 crore in the previous year.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A4

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