

Press Release

Sri Suryanarayana Swamy Solar Power Private Limited

July 05, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs.8.00 crore bank facilities of Sri Suryanarayana Swamy Solar Power Private Limited. The outlook is '**Stable**'.

Sri Suryanarayana Swamy Solar Power Private Limited (Sri Suryanarayana) was incorporated in 2012 at Nalgonda district (Telangana). It is engaged in production and distribution of solar power with capacity of 2 MW. The project site is in a village at Nalgonda. The company has 20 acres of land out of which 10 acres have been deployed towards this project. The company has entered into two power purchase agreements (PPA). In March 2014, the company has entered into a 7 years PPA with M/s Vedadri Paper Mills (India) Pvt. Ltd. While in September 2015, the company has entered into a 5 years PPA with GVK Properties & Management Co. Pvt. Ltd at a rate of Rs.5.95 per unit with an escalation of 2.5 per cent per annum allowed during the next 5 years.

Key Rating Drivers

Strengths

- **Experienced Promoters**

Sri Suryanarayana Swamy Solar Power Private Limited (Sri Suryanarayana) was incorporated in 2012 by Mr. Mellacheruvu Kamal, Mr. Satyanarayana Swamy Chinni, Mr. Prabhakar Gajji, Mr. Venkateswara Swamy Chinni, Mr. Venkateswara Tellakula Rao and Mr. Kottamaddi Reddy Srinivasa. Mr. Kottamaddi Reddy Srinivasa has more than a decade of experience in this line of business by virtue of his prior assignments.

Weaknesses

- **Working capital intensive nature of operations**

Sri Suryanarayana's operations are working capital intensive which is evident from high gross current assets of 100 days during FY2017. This necessitates working capital requirement as major funds gets blocked in debtors. Debtor days stood at 96 in FY2017 as compared to 67 days in FY2016.

- **Constrained financial risk profile**

The company has average financial risk profile marked by net worth of Rs.5.58 crore as on 31 March, 2017 as against Rs.5.51 crore as on 31 March, 2016. The gearing stood moderate at 1.71 times as on 31 March, 2017 as against 2.03 times as on 31 March, 2016. The interest coverage ratio stood at 1.63 times in FY2017 as against 2.12 times in FY2016. The NCA/TD stood at 0.06 times in FY2017 as against 0.07 times in FY2016. The DSCR stood low at 0.61 times as on 31 March, 2017.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Sri Suryanarayana to arrive at this rating.

Outlook: Stable

Acuite believes that Sri Suryanarayana will maintain a 'Stable' outlook over the medium term from the long standing experience of its promoters. The outlook may be revised to 'Positive' if the financial risk profile improves. Conversely, the outlook may be revised to 'Negative' in case it fails to report the expected revenues or profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1.79	1.97	1.21
EBITDA	Rs. Cr.	1.47	1.41	0.99
PAT	Rs. Cr.	-0.08	0.12	-0.50
EBITDA Margin	(%)	81.95	71.34	81.89
PAT Margin	(%)	-4.48	6.32	-41.47
ROCE	(%)	5.72	5.29	6.75
Total Debt/Tangible Net Worth	Times	1.71	2.03	2.50
PBDIT/Interest	Times	1.63	2.12	1.08
Total Debt/PBDIT	Times	5.94	7.04	10.59
Gross Current Assets (Days)	Days	100	67	111

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Term loans	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B- / Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Debalina Maity Analyst - Rating Operations Tel: 033-66201212 debalina.maity@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.