

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

Acuité 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

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

Outlook: Stable

Acuité 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

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About Acuité Ratings & Research:

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