



## Press Release

**Supreme Solar Projects Private Limited (SSPPL)**

28 February, 2018

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 68.00 Cr.
<b>Long Term Rating</b>	SMERA BB/Stable (Assigned)

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs. 68.00 crore bank facilities of Supreme Solar Projects Private Limited (SSPPL). The outlook is '**Stable**'.

Supreme Solar Projects Private Limited (SSPPL), was incorporated in September, 2016 to take-over the existing business of Supreme Solar Systems (established in 2004), a proprietorship concern of Mr. H. Narasimha. The Directors are Mr. H. Narasimha and his wife, Mrs. Ajitha Pai.

The company was initially engaged in the trading of solar water heaters and kitchen appliances including chimneys, cook tops, hobs, geysers among others. In 2008, the company ventured into manufacturing of solar water heaters and solar power generation (1.10 MW). The power is sold to Bangalore Electric Supply Company Ltd (BESCOM).

The company is ISO 9001 and ISO 14001 certified and has presence in 24 states with 70 franchisees, 4500 distributors and over 300 service centres. The branches are located in Uttar Pradesh, Tamil Nadu, Delhi, Pune and Kolkata.

Currently, the company has set up a factory to manufacture commercial solar water heaters and solar geysers. Production began from November 2017. Besides, the company also took sole distributorship of TCL air conditioners in FY2018. Manufacturing of solar water heaters constitutes around ~70 per cent and trading around ~30 per cent of the total revenues.

### Key rating drivers

#### Strengths

#### Experienced management

Mr. H. Narsimha, the Promoter has experience of over a decade in the solar industry. Mrs. Ajitha Pai has experience of five years in the industry and is actively involved in the day-to-day operations. The extensive experience of the promoter has helped the company build a strong distribution network. The products are sold under the 'Supreme' brand name.

SMERA believes that the extensive experience of the management and wide distribution network will continue to benefit the company in the near to medium term.

### **Moderate profitability and coverage indicators**

The company has moderate operating profitability at 10.44 per cent in FY2017 compared to 5.50 per cent in FY2016. The margin improved in FY2017 on account of economies of scale and significant foreign exchange gains. The Interest Coverage Ratio stood comfortable at 3.02 times in FY2017.

### **Weaknesses**

#### **Leveraged capital structure**

The networth stood moderate at Rs.14.16 crore as on 31 March, 2017 compared to Rs.10.83 crore as on 31 March, 2016. The gearing stood high at 3.28 times as on 31 March, 2017 which deteriorated during FY2015 to FY2017. The total debt of Rs. 46.46 crore includes term loans of Rs.22.99 crore, unsecured loans of Rs.6.00 crore, loans from others of Rs.11.47 crore and short term borrowing of Rs.6.00 crore. The tangible networth to total outside liabilities (TOL/TNW) ratio stood high at 4.28 times as on 31 March, 2017.

Further, the company has enhanced capacity for manufacturing commercial solar water heaters and solar geysers. Operations commenced from November, 2017. The company plans to construct a factory and a solar generation plant at a project cost of ~Rs.20.33 crore to be funded through a term loan of Rs.14.95 crore and promoter's contribution of Rs.5.38 crore.

SMERA believes that the addition of debt is likely to keep the gearing at high levels.

#### **Margins susceptible to foreign exchange fluctuation risk**

The company imports around 60 per cent of its total purchases from China, thus exposing itself to foreign exchange fluctuation risk in the absence of a hedging policy.

#### **About the Rated Entity – Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	114.53	92.34	65.79
EBITDA	Rs. Cr.	11.96	5.08	2.96
PAT	Rs. Cr.	5.67	2.49	1.67
EBITDA Margin	(%)	10.44	5.50	4.50
PAT Margin	(%)	4.95	2.69	2.54
ROCE	(%)	23.29	20.27	47.91
Total Debt/Tangible Net Worth	Times	3.28	2.21	1.18
PBDIT/Interest	Times	3.02	2.50	3.74
Total Debt/PBDIT	Times	3.85	4.57	1.82
Gross Current Assets (Days)	Days	73	85	54

**Any other information:** Not Applicable

## Outlook – Stable

SMERA believes that SSPPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving healthy profit margins and managing its working capital efficiently. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or elongation in its working capital cycle resulting in deterioration of the financial risk profile.

## Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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>

## Analytical Approach

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

**Status of non-cooperation with previous CRA (if applicable):** ICRA in the press release dated November 06, 2017 has stated the following "ICRA has moved the long term rating outstanding of [ICRA]BB- (pronounced as ICRA double B minus) to the Rs. 18.00-crore long term facilities of Supreme Solar Systems (SSS) to 'Issuer not cooperating' category. The outlook on the long term rating is 'Stable'. The rating is now denoted as '[ICRA]BB(Stable) ISSUER NOT COOPERATING'."

## 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. Crore)	Ratings/Outlook
Term Loan - I	NA	NA	NA	9.43	SMERA BB/Stable
Term Loan - II	NA	NA	NA	0.05	SMERA BB/Stable
Term Loan - III	NA	NA	NA	0.12	SMERA BB/Stable
Term Loan - IV	NA	NA	NA	0.07	SMERA BB/Stable
Term Loan - V	NA	NA	NA	7.46	SMERA BB/Stable
Term Loan - VI	NA	NA	NA	0.03	SMERA BB/Stable
Term Loan - VII	NA	NA	NA	0.03	SMERA BB/Stable
Term Loan - VIII	NA	NA	NA	0.09	SMERA BB/Stable
Cash Credit	NA	NA	NA	10.00	SMERA BB/Stable
Proposed Term Loan	NA	NA	NA	14.95	SMERA BB/Stable
Proposed Cash Credit	NA	NA	NA	25.77	SMERA BB/Stable

### Contacts:

Analytical	Rating Desk
Suman Chowdhury, President - SMERA Bond Ratings Tel: +91-22-6714 1107 Email: <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a>	Varsha Bist Manager – Rating Desk Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Shashikala Hegde, Senior Analyst – Ratings Operations Tel: +91-22-6714 1321 Email: <a href="mailto:shashikala.hegde@smera.in">shashikala.hegde@smera.in</a>	

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