

Press Release

Atul Sharma (AS)

May 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.00 Cr.
Short Term Rating	SMERA BB-/Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs. 16.00 crore bank facilities of Atul Sharma (AS). The outlook is '**Stable**'.

Established in 1998, Atul Sharma (AS) commenced excavation and trading of granites through Peethambaram Stones. Later in 2008, it started its wind power project and later in 2013, it came up with its solar power project. The firm currently has two wind power project with a cumulative installed capacity of 3800 KW. It supplies to Tamil Nadu Generation & Distribution Corporation Ltd (three plants of 800 KW each) and Gujarat Urja Vikas Nigam Limited (two plants of 800 KW & 600 KW each) respectively.

Further, the firm also has three solar power projects with a cumulative installed capacity of 4.25 MW. It supplies to the Pratibha Syntex Limited from the 1MW project at Berachh, MP, H&R Johnson (India) (a division of Prism Cement Limited) from the 1.25 MW project at Baroda, MP and Daawat Foods Limited from the 2MW project at Mandsaur, MP. The firm has entered into separate Power Purchase Agreements with these entities and distribute through M.P. State electricity Board.

Key Rating Drivers

Strengths

- Experienced management and long track record of operation**

The firm benefits from the extensive experience of its proprietor, Mr. Atul Sharma who possess extensive experience of more than a decade through successful implementation of 3 solar and wind projects.

- Comfortable financial risk profile**

The financial risk profile of the firm is marked by moderate net-worth of Rs.18.45 crore as on 31st March 2017 as compared to Rs.21.54 crore as on 31st March 2016. Further, the gearing of the firm stands low and comfortable at 0.76 times as on 31st March 2017 as compared to 0.39 times as on 31st March 2016. The healthy gearing is on account of moderate net worth of Rs.18.45 crore as against the total debt of Rs.21.54 crore in FY2016-17. Further, the total debt includes term loan of Rs. 12.48 crore. The interest coverage of the firm stands healthy at 8.24 times in FY2017 as against 7.78 times in the previous year. The net cash accruals by total debt (NCA/TD) stand at 0.65 times in FY2017 as compared to 0.86 times in FY2016. The debt service coverage ratio (DSCR) stands at 3.65 times in FY2016-17 as compared to 2.81 times in FY2015-16.

Weaknesses

- Modest scale of operation**

The operating income of the firm has improved however still considered to be low and stands at Rs.20.15 crore in FY2016-17 as compared to Rs.17.19 crore in FY2015-16.

- **Exposure to regulatory and event risk**

AS is exposed to risks associated with the regulatory environment surrounding the solar power industry. In case solar power prices decline further in the state, the PPA counterparties may choose to withdraw from the PPA. SMERA also notes that other regulatory and political changes, including stability of government policy in the state will continue to remain key credit issues for AS.

Analytical Approach

For arriving at the ratings SMERA has consolidated the financial performance and financial risk profile of Atul Sharma, Dharmakanta Stones and Peetambara Stones, on account of common management and significant business and financial linkages.

Outlook: Stable

SMERA believes that AS will maintain a stable risk profile on account of experienced management and comfortable financial risk profile. The outlook may be revised to Positive in case of and infusion of funds by the promoters along with a substantial decline in operating costs. The outlook may be revised to Negative in case of delay in completion of the project and in case of significant increase in gearing.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	20.15	17.19	22.85
EBITDA	Rs. Cr.	10.33	8.18	11.48
PAT	Rs. Cr.	(1.18)	2.21	2.91
EBITDA Margin	(%)	51.27	47.58	50.22
PAT Margin	(%)	(5.88)	12.85	12.72
ROCE	(%)	0.22	10.07	8.42
Total Debt/Tangible Net Worth	Times	0.76	0.39	0.36
PBDIT/Interest	Times	8.24	7.78	17.61
Total Debt/PBDIT	Times	1.36	1.02	0.81
Gross Current Assets (Days)	Days	393	420	336

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Entities - <https://www.smera.in/criteria-service.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
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB-/Stable
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB-/Stable

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ABOUT SMERA

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