

Press Release

Star Eco Energy Private Limited

D-U-N-S® Number: 87-373-8861

December 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 2.09 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-** (read as ACUITE double B minus) to the Rs. 2.09 crore bank facilities of Star Eco Energy Private Limited (SEPL). The outlook is '**Stable**'.

Incorporated in 2011, SEPL is a Coimbatore (Tamil Nadu) based company promoted by Mr. Krishnasamy Gurusamy Rajkumar. The company is engaged in the wind power generation. The company has four wind mills located in Tirunelveli (Tamil Nadu) with capacities of two at 500 KW each and another two at 600 KW each with an aggregate capacity of 2.2 mega-watt (MW).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

SEPL is promoted by Mr. Krishnasamy Gurusamy Rajkumar with around two decades of experience in the Textile and power sector. The entity was established in 2011 and gradually expanded to the present 2.2 MW of wind mill capacity. The promoter also does business in textile industry under the name 'Shree M.T.K. Textiles Private Limited'. It has an aggregate capacity of 13.25 MW of wind mill and solar power. The promoter's experience and moderate build up capacity lead to healthy relationship with its customers. The company has entered into Energy Purchase Agreement (EPA) valid till 2036 with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO). The EPA is signed at a cost of Rs.3.39 per unit, which reduces the off take risk. The company also entered into Energy Wheeling Agreement with four other players in the hotel industry which is also valid till 2036 under group captive scheme. Acuité believes that promoter's extensive experience and long term power purchase agreements would support the business risk profile of SEPL over the medium term.

- **Moderate working capital operations**

SEPL has moderate working capital operations as evident from Gross Current Assets (GCA) of 160 days as on March 31, 2018 as against 94 days as on March 31, 2017. The moderate GCA days were mainly due to moderate debtor levels. The entity's debtors stood at 58 days as on March 31, 2018. The company raises the bill every month and payment is received within 60 days of the receipt of the bill from TANGEDCO, and within 30 days from private players. Timely receipt of the bills from the TANGEDCO and other clients are key rating sensitivity factors.

- **Moderate financial risk profile**

SEPL's financial risk profile is marked by high gearing (debt-to-equity) and comfortable debt protection metrics. The gearing has deteriorated from 0.62 times as on March, 2017 to 2.08 times as on March, 2018 due to purchase of two wind mill units of 2 X 600 KW with an outlay of Rs.2.47 crore; the same is funded via term loan of Rs.2.39 crore and rest from promoter's funds. Net worth is modest at Rs.1.40 crore as on March, 2018 as compared to Rs.1.04 crore as on March, 2017. SEPL's moderate net cash accruals and moderate debt has led to comfortable NCA/TD and interest coverage

ratio of 0.24 times and 7.97 times in FY2018 vis-à-vis 0.89 times and 7.12 times in FY2017, respectively. The cash accruals stood at Rs.0.71 crore for FY2018, while the expected cash accruals are in the range of Rs 0.70 – Rs 0.80 crore, against its repayment obligations of Rs.0.50 crore. The company is not maintaining any balances in debt service retention account (DSRA). Long gestation period for repayment of the debt and moderate cash accruals are expected to support the financial risk profile over the medium term.

Weaknesses

- **Modest scale of revenues**

SEPL's business risk profile is constrained by modest scale of operations. The company generated revenue of Rs.1.05 crore in FY2018 as against Rs.1.13 crore in FY2017. Until FY2018, the company had installed capacity of 1 MW; however, the management increased the aggregate installed capacity to 2.2 MW in FY2019 which would improve the revenue profile to Rs.1.75 crore in FY2019. With modest revenues, any mismatch in the cash flows may have an impact on the repayment capacity which is a key rating sensitivity factor though the promoter has the flexibility to fund from other businesses.

Outlook: Stable

Acuité believes that SEPL will maintain a 'Stable' outlook over the medium term from its promoter's industry experience and the Energy Purchase Agreement signed with TANGEDCO. The outlook may be revised to 'Positive' in case of sustenance in its revenues while sustaining the profitability and improving the liquidity. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1.05	1.13	1.19
EBITDA	Rs. Cr.	0.54	0.71	0.77
PAT	Rs. Cr.	0.35	0.32	0.22
EBITDA Margin	(%)	51.39	63.16	64.88
PAT Margin	(%)	33.47	28.49	18.25
ROCE	(%)	15.72	24.11	46.59
Total Debt/Tangible Net Worth	Times	2.08	0.62	1.84
PBDIT/Interest	Times	7.97	7.12	4.94
Total Debt/PBDIT	Times	3.50	0.91	1.72
Gross Current Assets (Days)	Days	160	94	89

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	1.01	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.08	ACUITE BB- / Stable

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Sethu Madhav Analyst - Rating Operations Tel: 022-67141128 sethu.madhav@acuiteratings.in	

About Acuité Ratings & Research:

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