Press Release

Tech Sun Energies Private Limited

January 28, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable
Short Term Rating	ACUITE A4

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' **(read as ACUITE B minus)** and short term rating of **'ACUITE A4' (read as ACUITE A four)** to the Rs. 22.00 crore bank facilities of Tech Sun Energies Private Limited (TSPL). The outlook assigned is **'Stable'**.

The Tamil Nadu based, TSPL was incorporated in 2012 under the directorship of Mr. P. Mayilvel and Ms. N. Ponlakshmi. It is engaged in providing Operation and Maintenance Services to various Industry segments with specialisation in Power related industries and Petrochemicals Industries. The company secured its first contract for the O&M services for thermal power plant in April, 2012. The company is also engaged in manufacturing of flexible intermediate bulk container bags (FIBC) and Jumbo Polypropylene bags. The manufacturing unit is located in Tirunelveli district of Tamil Nadu. Though the company was incorporated in 2012, the commercial operations of the company started in FY 2018.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have more than a decade of experience in the Engineering industry. Dr. P. Mayivel has a Doctorate in Mechanical Engineering and Post Graduate in Thermal Power engineering. Acuité believes that the company will sustain its existing business profile on the back of reputed clients and experienced management in the aforementioned industry.

Weaknesses

- **Project execution and implementation risk**

TSPL is setting up a plant at Tirunelveli (Tamil Nadu). The total project cost is ~Rs. 22.88 crore. The project is expected to be funded partly through term loan from bank of Rs. 17.40 crore, equity infusion of Rs. 4.99 crore and unsecured loan of Rs. 0.49 crore. The commercial date of commencement of operations for this project is expected to be May 2019. Any significant delays in implementation of the project and achieving the commercial operations will impact the debt protection indicators. Acuité believes that the timely completion of the project and generating of sufficient net cash accruals in order to repay its debt obligation will be a key rating sensitivity.

- **Nascent stage of operations**

The operations of this project are at a very initial stage and the company has to optimally utilise its capacity to generate cash flows to meet its outstanding debt obligations.

- **Vulnerability to increasing competition**

Polypropylene (PP) bag industry is intensely competitive due to low entry barriers, negligible capital and technology requirements, small gestation period, and easy availability of raw materials. The intense competition may continue to restrict scalability of operations and limit the pricing power with suppliers and customers, thereby constraining profitability.

Outlook: Stable

Acuité believes that TSPL will maintain a 'Stable' credit profile over the near to medium term on the back of experienced management. The outlook may be revised to 'Positive' if TSPL commissions the project on time and exhibits higher than expected flow of orders. Conversely, the outlook may be revised to 'Negative' if there are delays in commissioning of the project.

Liquidity position

TSPL's FIBC and polypropylene bag unit is yet to start its commercial operations and thus there's no impact on liquidity as on December 2018. The company generated cash accruals of Rs.0.26 crore in FY18 through its O&M services for thermal power plant, while there are no maturing debt obligations over the same period. The cash accruals of the company are estimated to remain at around Rs.0.30 - Rs.1.30 crore during 2019-21. Acuité expects that the liquidity of the company is likely to be moderate over the medium term on account of moderate cash accrual while its maturing debt obligations are estimated to be in the range of Rs.1.00 to Rs. 2.00 crore.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	7.15
EBITDA	Rs. Cr.	0.26
PAT	Rs. Cr.	0.24
EBITDA Margin	(%)	3.63
PAT Margin	(%)	3.37
ROCE	(%)	85.86
Total Debt/Tangible Net Worth	Times	0.00
PBDIT/Interest	Times	70.60
Total Debt/PBDIT	Times	0.00
Gross Current Assets (Days)	Days	141

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
- Entities In Services Sector - https://www.acuite.in/view-rating-criteria-8.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	17.40	ACUITE B- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4
Proposed	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B- / Stable

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About Acuité Ratings & Research:
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