

## Press Release

### Novus Green Energy Systems Limited

May 10, 2019

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 75.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.75.00 crore bank facilities of Novus Green Energy Systems Limited. The outlook is '**Stable**'.

Incorporated in 2009, Novus Green Energy Systems Limited (NGESL) is a Hyderabad, Telangana based company. The company is promoted by Mr.Y.Anshuman and Mr.Y.Venkata Ravindra who have more than a decade of experience in the solar industry. The company is primarily engaged in the installation of solar water pumps and solar power plants (both rooftop and ground mount).

#### Analytical Approach

For arriving at its rating, Acuite has taken a standalone view of the business and financial risk profile of Novus Green Energy Systems Limited (NGESL).

### Key Rating Drivers

#### Strengths

- **Reputed Clientele**

NGESL has a reputed customer base namely- Chhattisgarh Renewable Energy Development Agency, Madhya Pradesh Urja Vikas Nigam Limited, Indian Institute of Technology, Eastern Power Distribution Company of Andhra Pradesh Ltd (APEPDCL) to name a few.

- **Improved Revenue growth and Profitability**

The company has recorded a CAGR growth of 52 per cent for the last 3 years ending. NGESL registered a revenue growth of 67.90 percent in the FY 2018 over FY2017, and revenue grew at 41.49 percent in the FY2019 (Provisional data). The revenues stood at Rs.105.97 crore for FY2018 as against Rs.63.11 crore for FY2017. Further, the revenues stood at Rs.149.94 crore for FY2019 (Provisional). The EBITDA margins improved to 11.29 percent in FY2018 from 6.89 percent in the FY 2017. Going forward, the company has an order book of Rs.86.69 crore which shall be executed by the first half of the current year.

- **Above Average financial risk profile**

The financial risk profile of the company is above average marked by tangible net worth of Rs.17.96 crore as on 31 March 2018 as against Rs.10.09 crore in the previous year. Gearing (debt-equity) of the company stood at 0.80 times as on 31 March 2018 as against 0.42 times as on 31 March 2017. The coverage indicators are healthy marked by interest coverage ratio (ICR) which stood at 5.91 times for FY2018 as against 2.93 times for FY2017. DSCR stood at 4.59 times for FY2018 as against 2.35 times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 3.06 times as on 31 March 2018 as against 1.67 times as on 31 March 2017. Acuite believes the financial risk profile of the company will remain above average backed by moderate net cash accruals and no major debt funded capex in near to medium term.

## Weaknesses

### • Working-capital intensive operations

Working-capital intensive operations The operations of NGESL are working capital intensive evident from the GCA days of 209 in FY2018 as against 125 in FY2017. This is majority on the account of high debtor days of 173 in FY 2018 and 76 days for FY 2017. The average bank limit utilization stood at 95.07 percent for the last thirteen months ended March, 2018.

### • Highly competitive Industry

Company faces competition from many organized players in installing solar power plants and solar water pumps which limits its pricing flexibility and bargaining power with customers. And it therefore make margins vulnerable.

## Liquidity Profile

The firm has an above average liquidity position marked by average net cash accruals to its maturing debt obligations. NGESL generated net cash accruals of Rs.7.44 crore for the FY2018 with the maturing debt obligation of Rs.0.21 crore for the same period. The cash and cash equivalents stood at Rs.0.64 crore as on 31st March 2018 as against Rs.1.10 crore as on 31st March 2017. The current ratio of NGESL stood at 1.12 times as on March 31, 2018 and 1.30 times as on 31st March 2017. The operations of the firm stood working capital intensive in nature marked by Gross Current Assets (GCA) of 209 days in FY2018 as against 125 days in FY2017

## Outlook: Stable

Acuite believes that NGESL will continue to benefit over the medium term from the promoters experience and order book position. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	105.97	63.11	42.72
EBITDA	Rs. Cr.	11.97	4.25	3.03
PAT	Rs. Cr.	6.99	1.81	1.11
EBITDA Margin	(%)	11.29	6.74	7.10
PAT Margin	(%)	6.60	2.86	2.60
ROCE	(%)	50.65	30.70	43.26
Total Debt/Tangible Net Worth	Times	0.80	0.42	0.68
PBDIT/Interest	Times	5.91	3.05	2.65
Total Debt/PBDIT	Times	1.18	0.96	1.70
Gross Current Assets (Days)	Days	209	125	146

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

CRISIL, vide its press release dated October 04 2018 had denoted the rating of Novus Green Energy System Limited as 'CRISIL BB+/Stable/CRISIL A4+ (ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.ht>
- Application of 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	20.15	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A3

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**About Acuité Ratings & Research:**

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