

Press Release

Novus Green Energy Systems Limited

April 18, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	72.50	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	112.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) and the short-term rating of '**ACUITE A3**' (read as ACUITE A three) on the Rs.112.50 crore bank facilities of Novus Green Energy Systems Limited (NGESL). The outlook is '**Stable**'

The rating assigned favorably factors in experienced management, change in product mix, moderate order book, improvement in scale of operations and profitability margins. The rating however is constrained by high working capital management and moderate financial risk profile.

About the Company

Novus Green Energy Systems Private Limited (NGESPL) was incorporated in the year 2009 and is based out of Hyderabad, Telangana. The company is promoted by Mr. Anushman Yenigalla, Mr. Venkata Ravindra Yenigalla and Mrs. Pariplavi Mokkalapati who have more than a decade of experience in the solar industry. It is mainly engaged in the installation of solar water pumps and solar power plants (both rooftop and ground mount). Novus Green has solar photovoltaic module manufacturing line with a production capacity of 300MW per annum. The manufacturing facility is built to facilitate production capacity of 1000MW per annum. The factory is capable of manufacturing poly crystalline, mono crystalline, half-cell and glass-glass modules. They are a leading turnkey solution provider of photovoltaic systems in the rural and urban India, providing solar energy solutions to the commercial, industrial and public sector for new build, refurbishment projects and for existing buildings.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of NGES to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management

NGES commenced operations from 2009. The company is promoted by its directors, Mr. Y. Anshuman, Mr. Y. Venkata Ravindra and Mrs. Pariplavi Mokkalapati who have experience of more than a decade in the solar industry. The extensive experience has enabled the company forge healthy relationships with customers marked by moderate order book of Rs.186.29 Cr to be executed by around FY2022-23. Acuite believes that the company will continue to benefit from its experienced management and established relationships with customers.

Reputed client base

NGES has a reputed customer base which includes Chhattisgarh Renewable Energy Development Agency, Madhya Pradesh Urja Vikas Nigam Limited, Indian Institute of Technology, Bihar renewable energy, Eastern Power Distribution Company of Andhra Pradesh Ltd (APEPDCL), etc. Revenue from top 10 customers consist of around 68 % out of the total revenue. This mitigates customer concentration risk.

Favorable change in product mix and moderate order book providing medium term revenue visibility

NGESL has favorable product mix. The company has managed to generate significant revenue growth in FY2022 on account of change in product mix comprising more than 85% of revenue from supply of water pumps and solar panels. The contribution of solar water pumps is 50.89% which is around Rs.76.47 Cr and Solar Panels is 35.43% which is around Rs.53.25Cr in FY-2022. This has improved from 25.16% and 1.49% in FY2020. The order book of NGESL currently comprising of Rs.186.29 Cr of confirmed orders in total. The company has tentatively Rs.300 Cr worth orders (LOA) from KUSUM Scheme - Maharashtra region and NGESL is targeting around 1000 villages in Uttar Pradesh state and expecting the orders of Rs.200-300 Cr and Rs.500-600 Cr respectively from KUSUM II & III phases. Further, company is having high demand prospects in the form of Atmanirbhar Bharat Campaign as the company has a new manufacturing unit of solar modules whose 50 per cent production will be utilized for captive consumption and rest 50 percent for the third party sales. Acuite believes that NGESL will use the expertise of the management in product mix in order to generate healthy revenue over the medium term.

Empaneled vendor in Maharashtra region

The company is newly empaneled for Nagpur, Nashik, Pune, Aurangabad & Konkan regions by the Maharashtra state electricity Distribution co. Ltd (MSEDCL). The empanelment contract covers the activities of Design, Manufacture, Supply, Installation and transportation of solar water pumps and modules. Acuite believes that there will be decent improvement in the operating income and margins over the medium term on account of the projects that NGESL is going to execute in Maharashtra region.

Weaknesses

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, high gearing and low debt protection measures. Net worth stood at Rs.29.61 crore as on 31 March 2021 as against Rs.26.07 crore in the previous year. Gearing (debt-equity) of the company stood high at 2.82 times as on 31 March 2021 as against 2.92 times as on 31 March 2020. Interest coverage ratio (ICR) declined to 1.49 times for 31 March 2021 from 1.52 times for 31 March 2020. The net worth levels have seen significant improvement over the last three years. Acuite believes that the financial risk profile of NGESL will get better from FY2023 due to improving operating income and cash accruals.

Working Capital intensive

The operations of NGESL are working capital intensive as evident from the Gross Current Assets (GCA) days of 299 days in FY2021 which has slightly improved as against 364 days in FY2020. There is a significant improvement in debtor days for FY2021 stood at 172 days as against 234 days in FY-2020. Due to covid-19 induced lockdown, lack of availability of staff has made delays in delivering the orders. Further, inventory days stood at 87 in FY2021 as against 80 days in FY2020. The bank limits utilization stood around 90% for the past 12 months period ending ended February 2022. Acuite believes that the scale of operations will remain sensitive because of the nature of the business and high competition from other companies in the industry.

Highly Competitive Industry

NGESL faces stiff 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. However, NGESL having the advantage of own Manufacturing unit of 300MW capacity

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

Positive

- Significant improvement in scale of operations along with profitability margins.
- Sustainable improvement in liquidity position.
- Sustainable improvement in Gross current assets (GCA) days.

Negative

- High Debt equity level
- low Interest Coverage Ratio (ICR)

Material covenants

None

Liquidity: Adequate

NGES has adequate liquidity marked by its modest net cash accruals to its maturing debt obligations. The company maintains unencumbered cash and bank balances of Rs.0.40 crore as on March 31, 2021. The current ratio of the company stands at 1.10 times as on FY2021. The NCAs are tightly matching to its CPLT of Rs.9.04 Cr in FY2022; however, the same have been serviced on timely manner as confirmed from the lender and the bank statements. The CPLTD was relatively higher in FY2022 because of closure of FITL (accumulated interest in period of Covid19). The NCAs going forward would be adequate enough to service its upcoming obligations. Acuite believes that the liquidity position will improve in near medium term due to expected growth in scale of operations, Acuite believes that the financial risk profile of NGESL will get better from financial year 2023 due to increase in operating income and cash accruals, moderate order book and also change in product mix which yielded more income in the last quarter of the FY2022

Outlook: Stable

Acuite believes that NGES 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 company 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	119.02	105.70
PAT	Rs. Cr.	0.91	0.86
PAT Margin	(%)	0.77	0.81
Total Debt/Tangible Net Worth	Times	2.82	2.92
PBDIT/Interest	Times	1.49	1.52

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Feb 2021	Bank Guarantee	Short Term	40.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.33	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.61	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	18.56	ACUITE BBB- Stable (Reaffirmed)
09 Feb 2021	Bank Guarantee	Short Term	32.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	18.56	ACUITE BBB- Stable (Reaffirmed)

	Proposed Bank Facility	Long Term	2.44	ACUITE BBB- Stable (Reaffirmed)
10 May 2019	Cash Credit	Long Term	22.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.85	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	20.15	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	32.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.19	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	12.31	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Katta Akhil Analyst-Rating Operations Tel: 022-49294065 akhil.katta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.