

## Press Release

Novus Green Energy Systems Limited

May 15, 2023



### Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	ACUITE D   Assigned	-
Bank Loan Ratings	72.50	ACUITE D   Downgraded	-
Bank Loan Ratings	40.00	-	ACUITE D   Downgraded
Total Outstanding Quantum (Rs. Cr)	125.00	-	-

### Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE D (read as ACUITE D)**' from '**ACUITE BBB-' (read as ACUITE Triple B Minus)**' and the short term rating to '**ACUITE D (read as ACUITE D)**' from '**ACUITE A3' (read as ACUITE A three)**' on the Rs.112.50 crore bank facilities of Novus Green Energy Systems Limited (NGESL).

Acuite has assigned its long term rating of '**ACUITE D (read as ACUITE D)**' on the additional Rs.12.50Cr of bank facilities of Novus Green Energy Systems Limited.

#### Rationale for the rating

The rating is downgraded is on account of the recent delays in servicing of debt obligations by NGESL in term loans and overdraws in cash credit limits. The rating continues to factor from the experienced management and established track record of operations.

#### About the Company

Novus Green Energy Systems Limited (NGESL) was incorporated in the year 2009 and is based in Hyderabad, Telangana.

The company is promoted by the experienced Mr. Anushman Yenigalla, Mr. Venkata Ravindra Yenigalla, and Mrs. Pariplavi Mokkalapati. 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 factory is capable of manufacturing poly crystalline, mono crystalline, half-cell and glass-glass modules. The company is a turnkey solution provider of photovoltaic systems in the rural and urban regions, providing solar energy solutions to the commercial, industrial and public sector for new build, refurbishment projects and for the existing buildings.

#### Analytical Approach

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

## Key Rating Drivers

### Strengths

#### Experienced Management

NGESL commenced operations from 2009. The company is promoted by its directors, Mr. Y. Anshuman, Mr. Y. Venkata Ravindra and Mrs. Pariplavi Mokkaapati who have an experience of more than a decade in the solar industry. The extensive experience has enabled the company forging healthy relationships with customers marked by the moderate order book of Rs.580.0 Cr as on March, 2023 - to be executed over the medium term. Acuite believes that the company will continue to benefit from its experienced management and established relationships with the customers.

### Weaknesses

#### Working Capital Intensive operations:

The operations of NGESL are working capital intensive evident from the Gross Current Assets (GCA) days of 343 in FY22 which was deteriorated from 299 days recorded in FY2021. The increase in GCA days is mainly because of piling up of the inventory during FY22 due to delay in project executions in Uttar Pradesh and other areas. The inventory days are expected to be reduced to historic levels from FY23. Debtor days improved from 234 days in FY20 to 172 days in FY21 and further improved to 163 days in FY22 and expected to be in the range of 165-170 days for FY23. The bank limits utilization stood around 85.5% for the past 12 months period ending ended March 2023.

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.

#### Delay in servicing its debt obligations:

The company has delayed in servicing its debt obligations as confirmed by its banker and credit bureau information reports.

### Rating Sensitivities

- Regular servicing of debt obligations

### Material covenants

None

### Liquidity Position

#### Poor

The liquidity position of the company is poor on account of recent past instances of delays in servicing of debt obligation.

### Outlook:

Not applicable

### Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	165.29	119.02
PAT	Rs. Cr.	1.55	0.91
PAT Margin	(%)	0.94	0.77
Total Debt/Tangible Net Worth	Times	3.90	2.82
PBDIT/Interest	Times	1.47	1.49

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

None

### Any other information

The client did not submit latest bank statements despite multiple requests.

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Apr 2022	Proposed Cash Credit	Long Term	10.19	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	12.31	ACUITE BBB-   Stable (Reaffirmed)
12 Feb 2021	Term Loan	Long Term	18.56	ACUITE BBB-   Stable (Reaffirmed)
	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)
	Bank Guarantee	Short Term	32.00	ACUITE A3 (Reaffirmed)

09 Feb 2021	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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE D   Downgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE D   Downgraded
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.74	ACUITE D   Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.23	ACUITE D   Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.85	ACUITE D   Downgraded
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.91	ACUITE D   Downgraded
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.27	ACUITE D   Assigned

## Contacts

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

### 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.