

Press Release

Suryam International Private Limited

10 Jan, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs.50.00 crore of bank facilities of Suryam International Private Limited. The outlook is '**Stable**'.

Suryam International Private Limited (SIPL) was incorporated in the year 2015 by Mr. Kamlesh Kumar Singh and Mrs. Babita Singh. The company is engaged in generating of solar power and has set up roof top solar power plant with 8.126 MW capacity. The company is also an EPC contractor working for Zoram Energy Development Agency, Mizoram and Tripura Renewable Energy Development Agency, Tripura for installation of solar street light under the Saubhagya Scheme and Pradhan Manti Sahaj Bijli Har Ghar Yojana.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of SIPL, while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management

SIPL, an Odisha based company was incorporated in 2015 and promoted by Mr. Kamlesh Kumar Singh and Mrs Babita Singh, Director who possess more than a decade of experience in the industry of renewable energy through other organization, namely Surya International. The long standing experience of the promoters have helped them get business from reputed clients.

Assured off-take and healthy order book position

SIPL has signed 48 power purchase agreements (PPA) with different departments of Central as well as State Govt. for the entire capacity of 8.126 MW at a fixed tariff rate for 25 years till 2043. This substantially mitigates any off-take risk associated with the project. Further, the PPA is also secured by liquidity damage agreement with concerned party in favour of SIPL. The company entered into these agreements during the year 2018 and commenced operations during 2018-19. The company also has healthy order for solar street light of Rs. 37.51 crore from Zoram Energy Development Agency, Mizoram and Rs.25.51 crore orders from Tripura Renewable Energy Development Agency, Tripura. Acuité believes that SIPL is expected to enjoy the benefit from the assured off-take with long-term PPA along with healthy order book for EPC division.

Healthy financial risk profile

The healthy financial risk profile of the company is marked by moderate net worth, moderate gearing and strong debt protection metrics. The net worth of the company stands moderate at Rs.15.24 crore in FY2019 as compared to Rs.0.85 crore in FY2018, mainly due to retention of annual profit and infusion of fresh capital of Rs. 12.93 crore. The gearing of the company stands moderate at 1.66 times as on March 31, 2019. The total debt of Rs.25.24 crore consists of only long term debt. The interest coverage ratio (ICR) stands at 11.78 times in FY 2019 as against 13.50 times in FY 2018. The debt service coverage ratio stands at 9.77 times in FY2019 as against of 12.01 times in FY2018. Net cash accruals against total debt (NCA/TD) stand comfortable at 0.21 times in FY2019. Acuité believes the financial risk profile of the company will remain healthy backed by no major debt funded capex plan over the medium term and steady accruals.

Weaknesses

Working capital intensive nature of operation

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 151 days in 2019 increased from 147 days in 2018. These high GCA days emanates from relatively high collection period of 142 days in FY2019 as compared to 141 days in FY18. This high GCA of the company has also emanates from increase debtor days to 142 in FY2019 from 141 days in previous year. This high collection period in FY2019 is mainly on account of delays in getting the subsidy from the Government. The company's operations are expected to remain working capital intensive, as the payments from Government authorities are usually delayed.

Dependence on climatic conditions and exposure to regulatory risk

The performance of the solar plant is highly dependent on favorable climatic conditions including the solar radiation levels which have direct impact on the plant load factor (PLF). The company is presently operating at PLF of around 17 percent. The company is exposed to regulatory risk as it is associated with the government as well as private parties. Any regulatory changes in solar power industry may affect the business of the company.

Rating Sensitivity

- Scaling up of operations.
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by modest net cash accruals of Rs.5.24 crore as against no major repayable obligation. The cash accruals of the company are estimated to remain in the range of around Rs. 6.08 crore to Rs. 8.33 crore during 2020-22 against repayment obligations ranging from Rs. 2.63 crore. The working capital of the company is moderate marked by gross current asset days of 151 in FY2019. The current ratio of the company stood at 1.83 times as on March 31, 2019. Acuite believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals against minimal debt repayments over the medium term.

Outlook: Stable

Acuite believes that SIPL will maintain a 'Stable' outlook on account of the low off-take risk arising due to the availability of the long-term Power Purchase Agreements (PPA). The outlook may be revised to 'Positive' in case of higher than expected cash accruals owing to higher PLF or early repayment of loan. Conversely, the outlook may be revised to 'Negative' in case of any unplanned significant debt funded capital expenditure or investment of funds outside the business or any significant stretch in its receivables leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	51.21	37.49
PAT	Rs. Cr.	1.46	0.83
PAT Margin	(%)	2.86	2.20
Total Debt/Tangible Net Worth	Times	1.66	-
PBDIT/Interest	Times	11.78	13.50

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-17.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	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/Stable (Assigned)
Proposed Bill Discounting	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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