

## Press Release

### Clean Switch India Private Limited

December 22, 2020

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.15.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+/ Outlook: Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A4+ (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.15.00 crore bank facilities of Clean Switch India Private Limited (CSIPL). The outlook is '**Stable**'.

Incorporated in the year 2013, CSIPL is engaged in power generation through solar and wind energy, energy infrastructure development through EPC projects in renewable energy sector, and trading of automobile and renewable components. The company is based out in Hyderabad, Telangana and is promoted by Ms. Srividya Kasturi and Mr. Madan Kumar Subramanian. CSIPL, currently has renewable energy projects with a total capacity of 12 MW, i.e. 3 MW of solar power generation and 9 MW of wind power generation.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Experienced management and reputed clientele**

CSIPL was established in the year 2013 with significant experience of the promoters in the industry. The directors of the company Ms. Srividya Kasturi and Mr. Madan Kumar Subramanian have more than two decades of experience in the said industry. The company has Power Purchase Agreements (PPAs) with large corporates, colleges and municipalities based out of Andhra Pradesh and Tamil Nadu for solar power generation of 3 MW and PPA with TVS group companies for wind power generation of 9 MW. The company aims to generate additional 13 MW of power generation and attain pan India presence to increase the scale of operations.

Acuite believes that CSIPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term.

- **Diversified product portfolio**

CSIPL has developed renewable energy project with a total capacity of 12 MW. To increase its scale of operations, the company intends to generate additional 13 MW power and the company is in the process of commercial negotiation and finalization with a prospective customer for setting up of 10 MW for power generation. Accompanying to it, CSIPL executes EPC contracts in renewable sector such as setting up of solar power plant, windmill amongst others on direct contract basis, Build Operate Own Transfer (BOOT) model, Build Operate Transfer (BOT) model and sub contract basis. The company currently has an order book of Rs.15.58 crore to be executed by FY2022. CSIPL recently bid for setting up of 70 MW solar power plant and the contract is yet to be awarded. Since 2013, CSIPL is involved in trading of automobile components such as aluminium ingots A356, powder paints, copper wires to name a few and simultaneously involved in trading of renewable sector components solar panels, invertors, solar cells, cables, etc. The automobile components are imported from Dubai, South Korea, Germany, Malaysia, as well as procured domestically. The company sells the products within India to auto components manufactures. The renewable sector components are imported from Germany, China and locally procured and are sold across India.

**• Moderate financial risk profile**

The financial risk profile is moderate marked by modest net worth and healthy debt protection indicators. The net worth stood moderate at Rs.12.60 crore as on 31 March 2020 (provisional) improving from Rs.12.59 crore as on 31 March 2019. The adjusted debt to equity (considering the unsecured loans as neither debt nor equity) improved to 0.47 times as on 31 March 2020 (provisional) from 1.93 times in the previous year. The total debt of Rs.60.92 crore as on 31 March 2020 includes short-term debt of Rs.3.42, long-term debt of Rs.2.49 crore and unsecured loans of Rs55.00 crore. The TOL/TNW also stood high at 5.15 times as on 31 March 2020 (provisional) as against 6.84 times as on 31 March 2019. Interest Coverage Ratio (ICR) stood healthy at 16.51 times in FY2020 (provisional) as against 12.27 times in FY2019.

Acuite believes that the financial risk profile of the company is expected to remain improve on back of its conservative financial policy and in the absence of any near term debt funded capex plans.

**Weaknesses**

**• Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) days. The GCA days improved nonetheless stood high at 293 days in FY2020 (provisional) as against 728 days in FY2019. These high GCA days emanates from high debtors days of 84 days in FY2020 (provisional) as against 190 days in FY2019.

Acuite believes that the company's operations are expected to remain working capital intensive in the medium term as well

**• Fluctuations in forex rates**

The company is exposed to fluctuations in foreign currency as it imports automobile and renewable components for trading activities. In addition, the profitability margins were also modest due to higher contribution of trading revenues to the total revenues in the past. This is partially subsided since the company's decision to reduce trading activities from FY2019 and focus more on generation activity.

**Liquidity position: Adequate**

CSIPL has adequate liquidity position marked by healthy cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.11-3.25 crore during the last three years through 2019-2020, while its maturing debt obligations were in the range of Rs.0.36-0.50 crore over the same period. The cash accruals are estimated to be 4.00 to 5.00 crore during 2021-23, while its repayment obligations in the range of Rs.0.38 crore during the same period. The current ratio stood moderate at 1.63 times as on March 31, 2020 (provisional). Acuite believes that going forward; the liquidity position of the company will continue to remain strong in the medium term.

**Rating Sensitivities**

- Significant improvement in revenues while maintaining the profitability
- Any significant debt funded capex resulting in deterioration in the financial risk profile

**Material Covenants**

None

**Outlook: Stable**

Acuite believes CSIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's profitability or significant deterioration in the capital structure and liquidity position.

**About the Rated Entity - Key Financials**

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	15.81	14.79
PAT	Rs. Cr.	0.01	(0.13)
PAT Margin	(%)	0.09	(0.85)
Total Debt/Tangible Net Worth	Times	4.83	6.38
PBDIT/Interest	Times	16.51	12.27

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

None

**Any other information**

None

**Applicable Criteria**

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.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. Crore)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB+/Stable (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+/Stable (Assigned)
Proposed bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Assigned)

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**About Acuite Ratings & Research:**

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