

Press Release

Sri Savitr Solar Private Limited

March 16, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs.40.00 Cr
Long Term Rating	ACUITE BB/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.40.00 Cr bank facilities of Sri Savitr Solar Private Limited (SSSPL). The outlook is '**Stable**'.

About the company

Hyderabad-based Sri Savitr Solar Private Limited (SSSPL), was incorporated in the year 2011 by Mr. Venkata Ramesh Annangi and Ms. Sujatha Annangi. The company is engaged in manufacturing of solar PV Modules, solar street lightning system, and solar water pumping system, solar EPC, solar rooftop systems, solar water heating systems and system integration. SSSPL at present has 250 Mega Watt (MW) of solar photovoltaic modules. The company sells its products to individuals, commercial and government institutions. Since incorporation, SSSPL had completed execution of a cumulative capacity of 39,227 Kilo watt (KW) which includes Residential Capacity of 14,703 Kilo watt, Commercial capacity of 18,607 Kilo watt and Government capacity of 5,917 Kilo watt till June 2020.

The rating assigned on the bank facilities of SSSPL factors in its experienced management, moderate scale of operations and profitability margins and strong order book position. These rating strengths are partially offset by its working capital intensive operations and susceptibility of profitability margins owing tender based operations.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

SSSPL was incorporated in the year 2011 by Mr. A. V. Ramesh, the Managing Director of the company, who has experience of about 2 decades in solar power industry. Due to long standing presence of the promoters; the company has established relationships with its customers and suppliers. This has helped the company in participating in government tenders. Since incorporation, SSSPL had completed execution of a cumulative capacity of 39,227 Kilo watt, which includes Residential Capacity of 14,703 Kilo watt, Commercial capacity of 18,607 Kilo watt and Government capacity of 5,917 Kilo watt till June 2020. Acuite believes that SSSPL will continue to benefit from its experienced management over the medium term.

• Moderate scale of operations and profitability margins albeit fluctuating

The scale of operations of the company has remained moderate yet fluctuating over the last three year period FY18-20. The revenues stood at Rs.121.32 Cr in FY2018, Rs.114.05 Cr in FY2019 and Rs.84.27 Cr in FY2020. The revenue for FY2019 declined due to imposition of anti-dumping duty to safeguard the domestic suppliers. For FY2020 the revenues had declined due to COVID-19 impact. For 10M of FY2021, the company achieved net revenue of Rs.54 Cr. The profitability margins of the company have remained marginally fluctuating. EBITDA margin stood at 7.23 percent in FY2018, and came down to 6.15 percent in FY2019 on account of increase in material costs owing to anti-dumping duty and taxes. The imports during FY2019 stood at Rs.25.95 Cr. In FY2020, EBITDA margin improved to 7.99 percent. The

PAT margins also remained fluctuating and stood at 1.24 percent in FY2018, 0.19 percent in FY2019 and 1.16 percent in FY2020. Acuite believes that the revenues are expected to improve backed by healthy order book position which provides revenue visibility over the medium term. The profitability margins are susceptible to tender based nature of operations as the company participates in tenders for availing government orders albeit expected to be in similar trend.

• **Healthy order book position which provides adequate revenue visibility over the medium term**

The company at present has an unexecuted order book position of Rs.295 Cr as on November 2020. Out of this, the company is expected to execute Rs.72 Cr by March 2021, remaining in the next financial year. The order book is related to supply of PV modules, solar water pumping system, solar roof top hybrid systems. Out of the total order book, around 60 percent order portion is from Government orders under KUSUM (Kisan Urja Suraksha evam Utthaan Mahabhiyan).

Weaknesses

• **Moderate financial risk profile**

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The networth of the company stood at 11.79 Cr as on March 31, 2020 as against 10.81 Cr as on March 31, 2019. Gearing stood at 2.68 times as on March 31, 2020 as against 3.35 times as on March 31, 2019. Gearing improved on account of decline in total debt levels and marginal improvement in networth due to limited accretion. Debt protection metrics Interest Coverage Ratio and Debt Service Coverage Ratio stood at 1.66 times and 1.22 times as on March 31, 2020 as against 1.44 times and 1.00 times as on March 31, 2019 respectively. Debt protection metrics improved on account of decline in interest cost owing to decline in debt levels. TOL/TNW stood at 4.40 times and 7.16 times as on March 31, 2020 and 2019, respectively. Acuite believes that the financial profile of the SSSPL is expected to be at similar levels over the medium term owing to moderate accretion to reserves.

• **Working capital intensive operations**

The operations of the company have remained working capital intensive with GCA days of 226 days and 241 days as on March 31, 2020 and 2019, respectively. This is on account of increase in debtor days during FY2019 and FY2020, because from FY2019 the company started undertaking government orders and receivables period ranges between 90-180 days. This is evident from debtor days which stood at 153 days and 179 days as on March 31, 2020 and 2019 respectively. Inventory days stood at 54 days and 35 days as on March 31, 2020 and 2019 respectively. Creditor days stood at 42 days and 27 days as on March 31, 2020 and 2019 respectively. Working capital limits of the company has remained almost fully utilized for the last six months ended January 2021. Acuite believes that SSSPL's working capital cycle will remain intensive over the medium term owing to nature of business operations.

Rating Sensitivities

- Lower-than-expected revenue and profitability
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

Liquidity Position: Adequate

The liquidity position of the company has remained adequate with adequate net cash accruals to service its debt obligations. The company has generated cash accruals of Rs.2.63 Cr in FY2020 as against the repayment obligation of Rs.1.38 Cr. The cash accruals of the company expected to be Rs.3.40-5.90 Cr for FY2021-2023 as against the repayment of Rs.2.2-3 Cr for the same period. Current ratio of the company stood at 1.05 times as on March 31, 2020. Cash and Bank balance stood at Rs.0.09 Cr as on March 31, 2020. The working capital limits are almost fully utilized for the last 6 months ended January 2021. Acuite believes that the liquidity profile continues to be adequate supported by accruals.

Outlook: Stable

Acuite believes that SSSPL will continue to benefit over the medium term due to its experienced management and established relationships with its suppliers and customers. The outlook may be revised to 'Positive', in case of higher-than-expected revenues and profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case SSSPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	84.27	114.05
PAT	Rs. Cr.	0.98	0.22
PAT Margin	(%)	1.16	0.19
Total Debt/Tangible Net Worth	Times	2.68	3.35
PBDIT/Interest	Times	1.66	1.44

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

CARE Ratings, vide its press release dated May 04, 2020 had denoted the rating of Sri Savitr Solar Private Limited as 'CARE BB-/A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

ICRA Ratings, vide its press release dated May 19, 2020 had denoted the rating of Sri Savitr Solar Private Limited as 'ICRA BB-/A4; WITHDRAWN; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any Material Covenants:

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.30	ACUITE BB/ Stable (Assigned)
Term Loan	May 2020	7.70	April 2022	2.83	ACUITE BB/ Stable (Assigned)
Term Loan	Sept 2020	7.55	August 2024	5.98	ACUITE BB/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.89	ACUITE BB/ Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Nagidi Bhavani Analyst - Rating Operations Tel: 040-40042327 nagidi.bhavani@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,446 credit 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 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. Acuité ratings 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. Acuité ratings 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, Acuité's rating scale and its definitions.