ICRA

Surana Solar Limited

February 21, 2018

Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Fund-based	9.00	[ICRA]BB+ (Stable)
Non-fund based	57.00	[ICRA]A4+
Unallocated Limits	14.00	[ICRA]BB+(Stable)/[ICRA]A4+
Total	80.00	

Material Event

Surana Solar Limited has announced its quarterly results on February 10, 2018. The company reported operating income of Rs.9.49 crore with operating profits of Rs. 1.64 crore and net profits of Rs. 0.11 crore in Q3FY2018 as against operating income of Rs. 29.98 crore with operating profits of Rs. 2.34 crore and net profits of Rs 0.64 crore in Q3FY2017. As of 9MFY2018, the company has reported operating income of Rs.27.89 crore with operating profits of Rs. 4.93 crore and net profits of Rs. 0.75 crore against operating income of Rs. 66.47 crore with operating profits of Rs. 6.45 crore and net profits of Rs. 1.44 crore in 9MFY2017.

Impact of the Material Event

Despite sharp fall in revenues for 9MFY2018, the ratings remain unchanged at the earlier rating of [ICRA]BB+(Stable)/[ICRA]A4 as Surana Solar Limited (SSL) financial profile remains comfortable characterised by gearing of 0.45 times as on Sep 30, 2017 with no major term loan repayments in the medium term and comfortable liquidity position with sizeable cushion available in the form of undrawn working capital limits.

The ratings take into account established position of SSL's in the solar photovoltaic module manufacturing industry; established relationship with customers resulting in repeat orders and company's diversified client base across geographies. The ratings also consider favorable demand outlook for solar modules given the impetus of Indian government under Jawaharlal Nehru National Solar Mission (JNNSM) to increase the installed solar capacity to 100 GW by 2020.

The ratings are constrained by dip in operating income of the company over the past three years with revenues declining from Rs. 129.05 crore in FY2014 to Rs. 84.09 crore in FY2017 and Rs. 27.89 crore in 9MFY2018 owing to increased competitive intensity in solar industry coupled with cheaper imported PV modules from China and Taiwan; high working capital intensity of the company on account of high inventory due to bulk purchase of solar cells and; exposure of profitability to volatility in foreign exchange rates given the absence of defined hedging policy and inventory carrying risks.

Going forward, the company's ability to improve scale of operations while maintaining its comfortable capital structure and debt protection metrics would remain key rating sensitivities.

The previous detailed rating rationale is available on the following link: Click here

ANALYST CONTACTS

K. Ravichandran
+91 44 45964301
ravichandran@icraindia.com

R Srinivasan
+91 44 45964315
r.srinivasan@icraindia.com

Vinay Kumar G
+91 40 4067 6533
vinay.g@icraindia.com

Sankalpa Mohapatra
+91 40 4067 6525
sankalpa.mohapatra@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
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