

March 07, 2017

## Nuevosol Energy Private Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Cash Credit	6.00	[ICRA]BBB-(Stable) reaffirmed
Bill discounting	5.00	ICRA]A3 reaffirmed
Bank Guarantee/ Letter of credit	23.00	[ICRA]BBB-(Stable)/[ICRA]A3 reaffirmed
Unallocated Limits	24.00	[[ICRA]BBB-(Stable)/[ICRA]A3 reaffirmed

*\*Instrument details are provided in Annexure-1*

### Rating Action

ICRA has reaffirmed the long-term rating of [ICRA]BBB- (pronounced ICRA Triple B minus) to the Rs 6.00 crore<sup>1</sup> cash credit facility and short term rating of [ICRA]A3 (pronounced ICRA A three) to the Rs 5.00 crore bill discounting facility of Nuevosol Energy Private Limited (NEPL). The outlook on the long term rating is Stable. ICRA has also reaffirmed long term / short term ratings of [ICRA]BBB-/ [ICRA]A3 to the Rs 23.00 crore non fund based limits and Rs 24.00 crore unallocated limits of NEPL.

### Rationale

The reaffirmation of rating factors in extensive experience of the company in designing and installing mounting structures for solar PV panels; increased scale of operations during the last four years with revenues growing at CAGR of 79.36% on the back of increase in order book and order book execution; and reputed customer profile of NEPL including solar developers and major EPC players in the solar space. The ratings continue to factor in qualified top management and technical team having prior experience in solar industry; and positive outlook for solar power industry due to Government of India target to install 100 GW of solar power by 2022 under Jawaharlal Nehru National Solar Mission (JNNSM) coupled with favourable state government policies for solar power.

The ratings, however, continue to be constrained by high dependence on outside funds to execute the order book resulting in high TOL/TNW ratio of 4.33 times as on March 31, 2016; and weakened liquidity position as reflected by 79% of average utilization of cash credit limits in the past 15 months owing to high debtor days coupled with more than 25% of the debtors being more than 6 months as on March 31<sup>st</sup> 2016. The ratings also consider marginal growth in operating income from Rs 176.98 crore in FY2015 to Rs 179.36 crore in FY2016 due to deferment of projects by customers. However, an order book of Rs 156.54 crore as on February 14, 2017 will support revenue growth in the near term. The ratings are further constrained by modest operating margin of 4.51% in FY2016 owing to limited value addition and high competition levels in the mounting business; high customer concentration with top five customers contributing more than 66% of revenue in past two years, with Azure Power India Pvt. Ltd. contributing more than 45% of revenue in FY2016; though mitigated by repeat orders from customers and expected to reduce with the acquisition of new customers in the last 3 years.

<sup>1</sup> 100 lakh = 1 crore = 10 million

## Key rating drivers

### Credit Strengths

- Extensive experience of the company in designing and installing mounting structures for solar PV panels
- Strong growth in revenues at a CAGR of 79.36% during FY2012-FY2016 from Rs 17.33 crore to Rs 179.36 crore due to increased order book and order execution
- Reputed and satisfied customer base including EPC companies and developers resulting in repeat orders
- Positive outlook for solar power industry due to Government of India target to install 100 GW of solar power by 2022 under Jawaharlal Nehru National Solar Mission (JNNSM) coupled with favourable state government policies for solar power

### Credit Weakness

- High dependence on outside funds for the execution of order book as reflected in high TOL/TNW of 4.33 times
- Moderate liquidity position as reflected by 79% of average utilization of cash credit limits in the past 15 months because of high debtor days
- High customer concentration with top 5 customers contributing more than 66% of revenue in past two years, with Azure Power India Pvt. Ltd contributing more than 45% of revenue in FY2016; though mitigated by repeat orders from customers and expected to reduce with the acquisition of new customers in the last 3 years
- Marginal growth in operating income from Rs 176.98 crore in FY2015 to Rs 179.36 crore in FY2016 due to deferment of projects by customers. However, an order book of Rs 156.54 crore as on February 14, 2017 to support revenue growth in the near term.
- Despite improvement in operating margin to 4.51% in FY2016 from 3.52% in FY2015, the margins are on lower side owing to limited value addition and high competition levels in the mounting business

### Description of key rating drivers highlighted above:

NEPL provides DC side panel array design, PV mounting solutions design & supply, and installation of PV panels for solar photovoltaic power plants and roof top systems. NEPL has executed projects with cumulative capacity of more than 1300 MW. NEPL supplies and installs module mounting structures for major solar power EPC working in India like Azure Power India Private Limited, Solairedirect Energy India Pvt. Ltd, Greenko Energies Projects Private Limited, Waaree Energies etc. NEPL supplies and installs module mounting structures for major solar power EPC working in India. The clientele are reputed however the customer concentration for NEPL is high with top 5 customers contributing about ~66% of the revenue for FY 2016, though mitigated by repeat orders from customers and expected to reduce with the acquisition of new customers.

NEPL had begun operations in second half of FY2012. NEPL revenues shown a healthy growth and has increased from Rs. 17.33 crore in FY2012 to Rs. 179.36 crore in FY2016 at a CAGR of 79.36% owing to increased order book and order execution. NEPL operating income grew marginally in FY2016 to Rs 179.36 crore in FY2016 from Rs 176.98 crore in FY2015 due to deferment of projects by customers. However, an order book of Rs 156.54 crore as on February 14, 2017 will support revenue growth in the near term. The operating margins improved in FY2016 due to due to savings in project execution costs,



and reduced trading activity of solar mounting equipment. However, the margins are on lower side owing to limited value addition and high competition levels in the mounting business. The TOL/TNW is very high at 4.33 times as at FY 2016 owing to higher trade payables. The weakened liquidity position of NEPL is reflected by 79% of average utilization of cash credit limits in the past 15 months owing to high debtor days coupled with more than 25% of the debtors being more than 6 months as on March 31<sup>st</sup> 2016.

Going forward, the company's ability to increase operating margins and management of working capital requirements remains key rating sensitivity from credit perspective.

**Analytical approach: NA**

**Links to applicable Criteria**

**Corporate Credit Ratings: A Note on Methodology**

**About the Company:**

Nuevosol Energy Private Limited (NEPL) was incorporated in 2011 to provide design, supply and installation of PV panel mounting structure for solar photovoltaic power plants and systems. NEPL was formed by five professionals who have experience in solar industry and is into supply of solar panel mounting structure design, supply and installation. NEPL provides customized mounting solutions of fixed mount, and tracking solutions with both automatic and manual interfaces. NEPL also provides plant design analysis to maximize the yield incorporating complete plan layout of civil, mechanical, and electrical works. NEPL has recently set up its own manufacturing facility in October 2016 with capacity of 70MW/ Month.

For FY 2016, the company reported a profit after tax of Rs. 3.46 crore on an operating income of Rs. 179.36 crore, as against a profit after tax of Rs. 2.91 crore on an operating income of Rs.176.98 crore in FY 2015. For 8M FY2017 the company has reported an operating income of Rs 116.77 crore.

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable.**

**Rating History for last three years:**
**Table: Rating History**

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crore)	Month - year & rating	Month – year & Rating in FY2016	Month – year & Rating in FY2015	Month - year & Rating in FY2014
1	Cash Credit	Long term	58.00	March 2017	Oct 2015	Mar 2015	Sep 2013
			6.00	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+(Stable)	[ICRA]BB(Stable)
2	Bill discounting	Short term	5.00	[ICRA]A3		[ICRA]A4+	[ICRA]BB(Stable)
3	Bank Guarantee/ Letter of credit	Long/ Short term	23.00	[ICRA]BBB-(Stable) / [ICRA]A3	[ICRA]BBB-(Stable) / [ICRA]A3	[ICRA]BB+(Stable) / [ICRA]A4+	[ICRA]BB(Stable) / [ICRA]A4
4	Unallocated Limits	Long/ Short term	24.00	[ICRA]BBB-(Stable) / [ICRA]A3	[ICRA]BBB-(Stable) / [ICRA]A3	[ICRA]BB+(Stable) / [ICRA]A4+	[ICRA]BB(Stable) / [ICRA]A4

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1  
Details of Instruments**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Cash Credit	-	-	-	6.00	[ICRA]BBB- (Stable)
Bill discounting	-	-	-	5.00	[ICRA]A3
Bank Guarantee/ Letter of credit	-	-	-	23.00	[ICRA]BBB-(Stable) / [ICRA] A3
Unallocated Limits	-	-	-	24.00	[ICRA]BBB-(Stable) / [ICRA] A3

Source: NEPL

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