

Ravindra Energy Limited

February 01, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based limits	12.07	2.70	[ICRA]B+(Stable); upgraded from [ICRA]B-(Stable)
Short term: Non-Fund Based	17.23	Nil	[ICRA]A4 withdrawn
Unallocated limits	Nil	56.60	[ICRA]B+(Stable); upgraded from [ICRA]B-(Stable)
Total	29.30	59.30	

Rating action

ICRA has upgraded the long-term rating assigned to the Rs. 2.70 crore term loan facilities and Rs. 56.60 crore unallocated facilities of Ravindra Energy Limited (REL) to [ICRA]B+ (pronounced as ICRA B plus) from [ICRA]B- (pronounced ICRA B minus). ICRA has also withdrawn the short-term rating of [ICRA]A4 (pronounced ICRA A four) outstanding on the Rs. 17.23 crore non-fund based facilities of REL. The outlook on the long-term rating is 'Stable'.

Rationale

The rating upgrade considers the growing presence of REL in the high margin solar segment (~52% of revenues during FY2017 and ~58% of revenues during H1, FY2018) leading to improvement in operating margins by over 900bps to 8.1% in FY2017 accompanied with its exit from the sugar trading operations which has thin profitability margins. The rating also considers strong orderbook position of Rs. 87.30 crore in the solar segment from reputed clientele including Karnataka Renewable Energy Development Limited (KREDL), Maharashtra Energy Development Agency (MEDA) for installation of over ~3000 water pumps under the farmers scheme; and Solar Energy Corporation of India (SECI) order for installation of 6MW capacity under the Renewable Energy Service Company (RESCO) model in Karnataka and Maharashtra states. ICRA also notes the commencement of operations of the 15 LLPs set up by REL aggregating to a capacity of 34MW with tariff at Rs 8.40 per unit from various Distribution Companies (DISCOMs) in Karnataka region; and favourable demand outlook for solar industry, driven by the government's target of setting up 175 gigawatts (GW) of solar power generation capacity by 2022 under the Jawaharlal Nehru National Solar Mission (JNNSM).

The rating is, however constrained by presence in the coal trading segment (~42% of top line during H1, FY2018) which continues to remain impacted by global economic slowdown that led to surrendering its coal mining licenses in Indonesia; and increased competitive intensity in the solar industry which has restricted the profitability margins from organized and several unorganized players. The domestic solar industry also faces competition from China, US and European markets thereby exerting pressure of margin expansion. REL's capital structure and coverage metrics on a consolidated basis remain modest with gearing of 1.1 times as on March 31, 2017, interest coverage of 0.04 times and NCA/Debt at -0.1% for FY2017 although bulk of the debt is in the form of working capital for its trading operations. ICRA also takes note of the high contingent liability obligation of REL amounting to Rs. 411.3 crore as on Sept 30, 2017 for the loans availed by its group entities.

Going forward, REL's ability to increase the orderbook position and execute such orders profitably in a timely manner while maintaining adequate liquidity would remain key rating sensitivities.

Outlook: Stable

The stable outlook reflects ICRA belief that REL's revenues will grow at a healthy rate given the current orderbook position. The outlook may be revised to 'Positive' in case any substantial orders are received. The outlook may be revised to 'Negative' in case of any delays associated with orderbook execution.

Key rating drivers

Credit strengths

Improvement in profitability indicators with foray into solar segment – REL initially commenced operations as a trader in coal and sugar segments. The company has forayed into solar space in FY2016 (~10% of topline) and ~52% of top line during FY2017 which led to improvement in profitability and return indicators with operating margin improving to 8.1% in FY2017 from -0.9% in FY2016.

Reputed client portfolio – The client portfolio consists of Government agencies such as Karnataka Renewable Energy Development Limited (KREDL), Maharashtra Energy Development Agency (MEDA), and SECI reducing counter-party credit risk.

Strong orderbook position provides revenue visibility – REL has strong orderbook of Rs 87.30 crore as on Sept 30, 2017 in the solar segment to commission ~3000 solar water pumps, installation of roof top solutions for 6MW providing revenue visibility in the medium term.

Favorable demand outlook for solar industry – The demand outlook for solar industry is favorable driven by the government's target of setting up 175 gigawatts (GW) of solar power generation capacity by 2022 under the Jawaharlal Nehru National Solar Mission (JNNSM).

Credit weaknesses

Intense competition in the highly competitive solar business – The solar industry is categorized by presence of many organized and unorganized players. Stiff competition restricts its pricing abilities and thereby exerts pressure on margins. The domestic solar industry also faces competition from imports from China, US and European markets.

Coal trading activities restricted by economic slowdown – The company is involved in coal mining activity through PT Jambi Prima Coal, Indonesia. Owing to economic slowdown, the licenses have been surrendered and currently REL undertakes only coal trading activities.

Large investments into group entities – The company invested Rs. 31.6 crore as on March 31, 2017 in 15 LLPs with an aggregate solar capacity of 34 MW. The power generated is sold to various DISCOMs in Karnataka region. The LLPs have PPA signed with DISCOMs at an attractive tariff of Rs. 8.40 per unit and the ability of LLPs to self-sustain will be a key rating monitorable in the near term.

Consolidated revenues largely depend on trading operations – REL's consolidated revenues largely depends on coal and sugar trading activities. Volatility in prices exerts pressure on margins and its ability to generate sufficient accruals. That said, bulk of the debt is in the form of working capital borrowings for trading activities.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Ravindra Energy Limited (REL) was setup in 1980 and is promoted by Murkumbi family of Shree Renuka Group. REL has eleven foreign subsidiaries (as on March 31, 2017) mostly into trading operations although most of them are likely to be shut down given low scale of operations and profitability. REL started as a trader of coal and sugar and was involved in mining of coal through its foreign arm PT Jambi Prima, Indonesia. Currently, the coal mining licenses have been surrendered and sugar operation have been discontinued owing to volatility associated with trading operations. Coal Trading accounts for ~42% of top line followed by the recent venture into the solar segment by REL in FY2014 which constitutes the remaining.

REL is a solar module assembler in the water pump segment catering to orders under KREDL and MEDA scheme. REL also undertakes roof top solar power generation projects and has set up a WOS under the name Rhibhu Rooftop Solar Private Limited to cater to upcoming SECI order for installation of 6MW capacity. REL has set up 15 LLPs with an aggregate capacity of 34MW for power generation which are sold in full to various DISCOMs in Karnataka region. REL hold 72% stake in the form of fixed capital in the LLPs.

Key Financial Indicators (Audited)

	Standalone		Consolidated	
	FY 2016	FY 2017	FY 2016	FY 2017
Operating Income (Rs. crore)	121.7	54.0	493.4	620.7
PAT (Rs. crore)	2.4	6.1	-8.9	-2.0
OPBDIT/ OI (%)	-0.9%	8.1%	-1.4%	0.2%
RoCE (%)	1.9%	4.7%	1.4%	6.5%
Total Debt/ TNW (times)	0.0	0.0	1.1	1.3
Total Debt/ OPBDIT (times)	-4.8	1.6	0.5	1.0
Interest coverage (times)	-3.0	3.9	-0.5	0.0
NWC/ OI (%)	39.6%	22.8%	33.0%	23.4%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating Feb 2018	Date & Rating in FY2018 Nov 2017	Date & Rating in FY2017 Sept 2016	Date & Rating in FY2016 -
1	Term Loan	2.70	2.70	[ICRA]B+ (Stable)	-	-	-
2	Unallocated	56.60	56.60	[ICRA]B+ (Stable)	-	-	-
3	Cash Credit	12.07	Nil	-	[ICRA]B-	[ICRA]B- (assigned)	
4	Non-Fund Based	17.23	Nil	-	[ICRA]A4	[ICRA]A4 (assigned)	

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

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	March 2016	12.00%	March 2031	2.70	[ICRA]B+ (Stable)
NA	Unallocated	NA	NA	NA	56.60	[ICRA]B+ (Stable)

Source: REL

ANALYST CONTACTS

K. Ravichandran

+91 44 4596 4301

ravichandran@icraindia.com

R. Srinivasan

+91 44 4596 4315

r.srinivasan@icraindia.com

Shweta Sankaramani

+91 40 4067 6528

shweta.sankaramani@icraindia.com

Vinay Kumar G

+91 40 4067 6515

vinay.g@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:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents