

## Surana Solar Limited

Instrument	Amount In Rs. Crore	Rating Action
Fund Based Limits	9.00	[ICRA]BB+ (stable) revised from [ICRA]BBB-(stable)
Non Fund Based Limits	57.00	[ICRA]A4+ revised from [ICRA]A3
Unallocated Limits	14.00	[ICRA]BB+(stable)/[ICRA]A4+ revised from [ICRA]BBB-(stable)/[ICRA]A3

ICRA has revised the long term rating assigned to Rs. 9.00 crore<sup>1</sup> fund based limits of Surana Solar Limited (SSL)<sup>†</sup> from [ICRA]BBB- (pronounced ICRA triple B minus) to [ICRA]BB+(pronounced ICRA double B plus) and revised the short term rating assigned to Rs.57.00 crore non fund based limits of SSL from [ICRA]A3(pronounced ICRA A three) to [ICRA]A4+ (pronounced ICRA A four plus). ICRA has also revised the long term and short term ratings assigned to Rs. 14.00 crore unallocated limits of SSL to [ICRA]BB+/[ICRA]A4+ from [ICRA]BBB-/ [ICRA]A3. The outlook on the long term rating is Stable.

The revision in ratings takes into account the weaker than expected operating performance of the company in the past two years with revenues declining from Rs. 129.05 crore in FY2014 to Rs. 125.39 crore in FY2015 and Rs.118.21 in FY2016 crore; dip in operating margins in FY2016 owing to increased competitive intensity in solar industry coupled with cheaper imported PV modules from China and Taiwan; and deteriorated coverage indicators owing to increased interest expenses. The ratings are also constrained by the moderate financial risk profile of the company with gearing of 0.97 times and interest coverage ratio at 2.54 times and NCA/TD at 10.54 % as on March 31, 2016; 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. ICRA also takes into account the subdued financial performance of the company in Q1FY2017 with operating income of Rs.18.79 crore and weak near term revenue visibility with order book of Rs.60.00 crore as on June 30,2016.

The ratings, however, draws comfort from SSL's established position 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 low customer and supplier concentration risk; and 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.

Going forward company's ability to improve scale of operation while maintaining profitability and manage its working capital cycle effectively would be key rating sensitivities.

### Company Profile

Surana Solar Limited, earlier known as Surana Ventures Limited ("The company"/ "SSL"), was established in the year 2006, with the Surana Group venturing into solar photo-voltaic module manufacturing. During the year FY2000, the company entered into agreement with Surana Telecom & Power Limited ("STPL") to merge the solar division of STPL with the company and which was approved by the Hon'ble High Court of A.P. in June, 2010. The company has changed the name of the company from "Surana Ventures Limited" to "Surana Solar Limited" from October 20, 2014, to reflect the solar business of the company. The shares of the company were listed on NSE & BSE since January, 2011. The solar modules manufactured by Surana Solar Limited are marketed to Indian as well as international customers.

### Recent Results

SSL has reported an operating income of Rs.125.39 crore and net profit of Rs.8.44 crore respectively in FY2015 as against an operating income and net profit of Rs. 118.21 crore and Rs. 2.13 crore in FY2016. The company has reported an operating income of Rs.18.79 crore and net profit of Rs.0.37 crore respectively in Q1 FY2017.

**September 2016**

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

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



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