



Rating Rationale

Arnav Renewable Energy Pvt. Ltd.

11 Sep 2018

Brickwork Ratings assigns the rating of “BWR B” for the Bank Loan Facilities of ₹ 8.50 Crores of Arnav Renewable Energy Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	8.50	Long Term	BWR B (BWR Single B) Outlook : Stable
Total	8.50	INR Eight Crores and Fifty Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY17, provisional financial results of FY18 and projected financial results of FY19, FY20 and FY21, publicly available information and information/clarification provided by the client.

The ratings assigned to Arnav Renewable Energy Pvt Ltd. draws strength from the expected growth in revenue, future prospects of the project and increase in the promoter’s equity in the business. The rating is, however, constrained on account of small scale of operations, business concentration risk, reported losses, low liquidity in the business and low coverage ratios.

Going forward, the ability of the business to increase its scale of operations, improve profitability margins and efficiently manage its inventory would be the key rating factors for the rating of the business.

Description of Key Rating Drivers

❖ Credit Strengths:

- **Expected growth in revenues** : The Company has reported a revenue of Rs. 0.2 Crs in FY17. Since this is their first year of operations, their revenues are expected to grow FY18 onwards.
- **Capital Infusion** : The promoter’s capital (Equity) was increased to almost Rs. 3 Crores in FY19 from Rs. 0.01 Crs in FY17.



❖ **Credit Risks:**

- **Customer concentration** : Since the company has only one client, i.e. Southern Power Distribution Co of Telangana Ltd (SPDCTL) , it faces a huge concentration risk.
- **Net Worth** : The company currently (FY17) has a negative net worth of Rs. -1.01 Crores.
- **Government intervention** : Recently the MNRE (Ministry of New and Renewable Energy) announced its intention to cap the solar tariffs to Rs. 2.68 / kWh as compared to Rs. 6.49 / kWh which the company bid at. This might have a major impact on the cash flows of this project and company.
- **Low Liquidity and Coverage ratios** : The company displays low liquidity levels as their current ratio stands at 0.04 times. The company's ISCR and DSCR stand at 3.66 times and -254.98 times in FY17.
- **Reported Losses** : The company reported a loss of Rs. 1.02 Crores in FY17.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook : Stable

BWR believes the **Arnav Renewable Energy Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Arnav Renewable Energy Pvt Ltd (AREPL) is a private limited company incorporated on 25th October, 2016 with its registered office situated in Telangana. Their main business operations include generation of electricity through Solar Power Plants. Currently they've entered into a PPA with Southern Power Distribution Company of Telangana Ltd (SPDCTL) for a tenure of 20 years. The project will be developed on turnkey basis by M/s Enrich Energy Pvt. Ltd and M/s Enrich Solar Services Pvt. Ltd.

Company Financial Performance



The Business unit generated a revenue of 18.6 Crs and a profit of 1.05 Crs in FY16 where as in FY17 it generated a revenue of 11.83 Crs and a profit of 0.7 Crs. Tangible net worth of the unit increased to 4.28 Crs in FY17 from 3.85 Crs in FY16.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
	Fund Based	Long Term	8.50	BWR B (BWR Single B) Outlook : Stable	NIL	NIL	NIL
	Total		8.50	₹ Eight Crores and Fifty Lakhs Only			

Key Financial Indicators

Key Parameters	Units	2017	2018
Result Type		Audited	Provisional
Operating Revenue	₹ Cr	0.02	2.23
EBITDA	₹ Cr	0.01	2.12
PAT	₹ Cr	(1.02)	0.65
Tangible Net worth	₹ Cr	-1.01	-0.36
Total Debt/Tangible Net worth	Times	-1.23	-15.34
Current Ratio	Times	0.04	0.23

Hyperlink/Reference to applicable Criteria



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities



DISCLAIMER

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