Rating Rationale

N Sreeramareddy

6May2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 9.76 Crores of N Sreeramareddy (NS or The Firm).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr, 2018)	Present
Fund based	10.63	9.76	Long Term	**BWR B** (Pronounced as BWR Single B) **Outlook: Stable**	**BWR B** (Pronounced as BWR Single B) **Outlook: Stable (Reaffirmed)**
Total	10.63	9.76	INR Nine Crores and Seventy Six Lakhs Only		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY18, Projections up to FY21 and clarifications provided by the Firm's management.

The rating reaffirmation takes into consideration of Proprietor experience, established business operations and long term power purchase agreement with BESCOM and marginally improved revenues. However, the rating is constrained by weak financial profile, small scale of operations, inherent risk of firm being a proprietorship concern and intense competition from other organised and unorganised players in the sector.

Going forward, the ability of the Firm to enhance growth in operations with further increase revenues , improve profit margins, service the debt obligations promptly and improve its overall financials would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Proprietor Experience :** Mr. N Sreeramareddy is the proprietor of the firm having business experience for more than five years in the renewable energy industry.
- **Long term power purchase agreement**: The firm has a power purchase agreement (PPA) with BESCOM, which can generate long & stable income for a period of 25 years at a fixed tariff.
- **Marginally improved revenues :** The revenues improved marginally from Rs. 0.87 Crs in FY17 to Rs. 1.26 Crs in FY18.

Credit Risks:

- **Weak financial profile :** Weak financial profile marked by negative net worth reported at Rs. (1.80) Crs, negative net profit margin stood at (187.84)% and reduced operating profit margins from 94.27% in FY17 to 93.94% and 11.49% in FY18, Inadequate debt coverage indicator stood at 0.34 times in FY18
- **Inherent risk :** Inherent risk of firm being proprietorship.

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 **N Sreeramareddy** 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 Firm

M/s N Sreeramareddy established as proprietorship concern on September 2015. The firm is promoted and managed by Mr. N Sreeramareddy. The firm operates a roof top solar power plant of 2 MW in Gollapally Village, Karnataka. The firm has entered into a Power Purchase Agreement (PPA) with BESCOM for 25 years. The firm has also entered into Operation & Maintenance Agreement and EPC

agreement with M/s Guna Solar Private limited for complete solar power generation system on the rooftop of poultry farm.

Firm Financial Performance

As per FY18 audited financials, The Firm's revenue has improved marginally from Rs.0.87 Crores as of FY17 to Rs. 1.26 Crores in FY18 However the PAT was reported negative at Rs. (2.36) Crs in FY18.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	11.4.2018	19.9.2016	2015
	Fund Based	Long Term	9.76	**BWR B** (Pronounced as BWR Single B) Outlook:Stable (Reaffirmed)	**BWR B** (Pronounced as BWR Single B) Outlook:Stable	**BWR B** (Pronounced as BWR Single B) Outlook:Stable	**Not Rated**
	Total		**9.76**	**₹ Nine Crores and Seventy Six Lakhs Only**			

Status of non-cooperation with previous CRA - Nil
Any other information - Nil

Key Financial Indicators

Key Parameters	Units	2017	2018	2019	2020	2021
Result Type		**Audited**	**Audited**	**Projected**	**Projected**	**Projected**
Operating Revenue	Rs. In Crs	0.87	1.26	3.00	2.99	2.97
EBITDA	Rs. In Crs	0.82	1.18	2.80	2.79	2.76
PAT	Rs. In Crs	(0.85)	(2.36)	0.12	0.18	0.22
Tangible Net worth	Rs. In Crs	0.21	(1.80)	2.41	2.58	2.81
Total Debt/Tangible Net worth	Times	69.05	(7.96)	3.81	3.28	2.74
Current Ratio	Times	0.00	1.27	0.00	0.00	0.00

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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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.

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