

RATING RATIONALE

Nuetech Solar Systems Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 11.60 Crores of Nuetech Solar Systems Pvt. Ltd. (or ‘the Company’)

Particulars:

Facility**	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present		Previous (June 2019)	Present
Fund Based	7.60	7.60	Long Term	BWR BB/ Stable	BWR BB/Stable (Reaffirmed)
Non Fund Based	4.00	4.00	Short Term	BWR A4	BWR A4 (Reaffirmed)
Total	11.60	11.60	Rupees Eleven Crores and Sixty Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I

Rating Action/Outlook

The ratings reaffirmation has factored the financial profile of the Company marked by year on year improving profit margins since the last three financial years, comfortable debt to equity level, adequate cash accruals and strong debt protection metrics, apart from the experience of the promoters’ in the solar equipment manufacturing industry and operational track record of the Company. The ratings, however, are constrained by the modest scale of operations of the Company, which improved during FY18, has declined during FY19 and FY20 and stretched cash conversion cycle resulting from high receivable position. Also, the Company is exposed to inherent risk associated with tender based projects and competitive industry.

The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. BWR expects that the business risk profile of Nuetech Solar Systems Pvt. Ltd will be maintained over the medium term. The rating outlook may be revised to 'Positive' in case the Company enhances its scale of operations while maintaining the profit margins and liquidity position of current level. The rating outlook may be revised to 'Negative' if there is further decline in revenues and any deterioration in the financial profile of the company.

Key Rating Drivers

BWR has principally relied upon the audited financial results up to FY19, provisional FY20 figures and projections of FY21, FY22 of Nuetech Solar Systems Pvt. Ltd, publicly available information and information/clarification provided by the company's management.

Credit Strengths:

- **Promoters' experience in solar equipment manufacturing and track record of operation:** The promoters' of the company have more than two decades of experience in the solar equipment manufacturing industry. NSSPL, initially established as a proprietorship concern during 1992 and later converted into a private limited company on 12th March 2002, has around three decades of operational track record and benefits from promoters' established relationship with customers and suppliers.
- **Financial risk profile:** The Company has an above average financial risk profile as indicated by its year on year improving profit margins, satisfactory net worth, low debt profile, adequate cash accruals and strong debt protection metrics. Operating profit margin has shown substantial growth from 4.18% in FY18 to 8.36% in FY19 and has further improved to 12.95% as per provisional FY20. Thereby, the net profit has improved from 4.81% in FY18 to 9.96% in FY19 and has shown further improvement to 14.37% as per provisional FY20. Net profit margins are higher than operating profit margins due to non operating income, mainly carbon credits (Rs.1.53 Cr in FY20) and rental receipts. On account of year on year retention of profits, the Net worth of the Company stood satisfactory at Rs. 14.80 Cr as on March 31 2019 and has further improved to Rs. 19.63 Cr in FY20 (provisional). With a low debt profile, which primarily includes working capital facilities from the Bank, the Company maintains a comfortable gearing of 0.41 times in FY19 and 0.40 times in FY20 (provisional). Improved profit margins has resulted in increased cash accruals as indicated by net cash accruals to total debt of 0.71 times in FY19 and 0.66 times in FY20 (provisional) - improved from 0.48 times in FY18, and thereby resulted in adequate debt protection metrics with ISCR of 5.96 times and DSCR of 6.49 times in FY20 (provisional).

Credit Risks:

- **Modest Scale of operation:** NSSPL's scale of operation remains modest with an average revenue of Rs.35.75 Cr in the last four financial years ended FY20, which has further declined to Rs.31.92 Cr in FY20 from Rs. 36.31 Cr in FY19.
- **Stretched working capital Position:** The Company's working capital position stood stretched as reflected from its cash conversion cycle of close to four months mainly on account of high receivable level. Also, its average working capital utilization was high at 96% in the last six months ending August 2020.
- **Inherent risk associated with tender based projects and competitive industry:** The Company is exposed to the inherent risk relating to delays pertaining to tender based



government projects leading to time and cost overruns. The presence of many reputed concerns with so many small and medium scale players in the solar equipment manufacturing industry have resulted in intense competition for the company.

Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone performance of Nuetech Solar Systems Pvt. Ltd and has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

Rating Sensitivities

Positive: The ratings may be positively revised if the company achieves a substantial improvement in its revenue scale while sustaining the achieved profitability along with maintaining the overall financial profile.

Negative: The ratings would be adversely affected if the revenues and profit margins decline and also if there is any deterioration in the financial profile of the company, and any other factors validating for downgrade.

Liquidity Position

The Company has moderate liquidity marked by net cash accrual of Rs.5.17 Cr in FY20, improved from Rs.4.16 Cr in FY19 due to increase in profitability, despite decline in scale of operation. Current ratio was moderate at 2.18 times and cash and cash equivalent stood modest at Rs.1.37 Cr as on 31 March 2020.

Profile of the Company

Nuetech Solar Systems Pvt. Ltd (NSSPL) was initially founded by Mr. Surendra Kumar as a proprietorship concern during 1992 and later converted into a private limited company on 12th March 2002. Its registered office is located at Magadi Road, Sunkadakatte, Bangalore, while the manufacturing unit is at Seegehalli, Karnataka. The company is constituted by two directors, Mr. Surendra Kumar and Mr. Prakash B, who have more than two decades of experience in the relevant industry. NSSPL is engaged in manufacturing and sale of solar thermal products like solar water heaters, water purifiers, solar photovoltaic systems etc., under the brand name of 'Nuetech'. NSSPL caters to both private as well as government customers.

Key Financial Indicators (in Rs Crs)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Revenue	Rs Crs	41.33	36.31
EBITDA	Rs Crs	1.73	3.04
PAT	Rs Crs	1.99	3.62
Tangible Net worth	Rs Crs	11.12	14.80
Total Debt/Tangible Net worth	Times	0.46	0.41
Current Ratio	Times	1.12	1.56

Key Covenants Of The Instrument/Facility Rated: None

Non-cooperation With Previous Rating Agency: ACUITE BB/Issuer not cooperating /ACUITE A4+ on 6.3.2019

Rating History for the Previous Three Years [including withdrawal and suspended]

Facilities	Current Rating (2020)			Rating History		
	Tenure	Amount (Rs Crs)	Rating	13.06.2019	2018	2017
Fund Based	Long Term	7.60	BWR BB/Stable (Reaffirmed)	BWR BB/Stable	-	-
Non Fund Based	Short Term	4.00	BWR A4 (Reaffirmed)	BWR A4	-	-
Total		11.60	Rupees Eleven Crores and Sixty Lakhs Only			

Note: The firm was moved under 'Rating not Reviewed' in June 2020.

Complexity Levels of the Instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Sector**

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Nuetech Solar Systems Pvt. Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs Crs)	Short Term (Rs Crs)	Total (Rs Crs)
1.	Canara Bank	Term Loan	0.60	-	0.60
2.		OCC	6.00	-	6.00
3.		Proposed Term Loan	1.00	-	1.00
4.		BG	-	2.00	2.00
5.		LC	-	2.00	2.00
TOTAL					11.60

Total Rupee Eleven Crores and Sixty Lakhs Only



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