

Naviya Technologies

April 04 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.50	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	12.40	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	4.10	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	25.00 (Rs. Twenty-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Naviya Technologies to monitor the rating(s) vide e-mail communications/letters dated March 26,2022, March 29,2022 among others and numerous phone calls. However, despite our repeated requests, the Naviya Technology has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further Naviya Technologies has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Naviya Technology's bank facilities and/or instruments will now be denoted as **CARE BB/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in the scale of operations with a total operating income exceeding Rs.75 crore with tangible network base exceeding Rs.15 crore on a sustained basis
- Improvement in the gearing ratio reaching below 0.20x on a sustained basis
- Net profit margin to exceed 4% on a sustained basis.
- Improvement in total debt to GCA to reach below 4 times on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in the interest coverage ratio with the same falling below unity on a sustained basis
- Average utilization of the working capital limit during past 12 months exceeding 90% on a sustained basis
- Inability of the company to garner new orders from its customers which may lead to significant decrease in the revenue position.

Detailed description of the key rating drivers

At the time of last rating on July 02,2021 the following were the rating strengths and weaknesses (updated for the information available from client):

Key Rating Weaknesses

Small albeit growing scale of operations with moderate profit margins

The total operating income of grew marginally to Rs. 56.92 crore in FY21 (vis-à-vis Rs. 50.71 crore in FY20) on account of higher number of orders executed pan India. Further, the firm is a part of 'Jal Jeevan Mission' (JJM) (Har Ghar Nal) - scheme of Ministry of Jal Shakti, a Government of India initiative to ensure water supply in each and every household, 'SAUBHAGYA' scheme, 'PM KUSUM' Yojana (Kisan Urja Suraksha Utthan Mahabhiyan) of Ministry of Power, a GOI initiative to provide electricity to each and every households, wherein the firm executed large number of contracts under said schemes thus leading to increase in sales.

The PBILD margin has deteriorated from 5.13% in FY20 to 4.55% in FY21 on account of increase in cost of sales proportionate to 87.96% of TOI in FY21 as against 84.27% of TOI in FY20 led by higher purchases made along with increase in labour charges, site expenses, etc.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The net profit margin declined slightly owing to increase in interest and depreciation expense coupled with the deterioration in PBILDT margin and stood at 2.14% in FY21 as against 2.56% in FY20. The profit margin of the company depends on nature of work undertaken during the period and the same varies on contract to contract basis owing to tender driven nature of operations.

Working capital intensive nature of operations

The operations of NT are working capital intensive nature on account of funds being blocked in receivables and inventory. The average inventory holding period has marginally improved since the firm maintains low level of inventory as it procures raw materials as per the order requirements. The collection period remained significantly higher and stretched further from 225 days in FY20 to 241 days in FY21 as the firm receives payments within 90 to 120 days depending on the customers. On the other hand, the firm receives 50% of the cost as advance for material required, 10% after installation and 30% at the time of commissioning. Due to elongation in collection period the creditor days have also stretched to 190 days in FY21 from 179 days in FY20.

Thus, led by the above, working capital cycle remained stretched at 63 days (vis-à-vis 60 days and FY21). Furthermore, firm has to give 10% of order value against the orders received from government bodies as retention money which gets released after five years. As a result of this average utilization of the working capital limit stood high at 95% during past 12 months ended February 2022.

Customer and supplier concentration risk with tender driven nature of operations

Customer concentration risk prevails for NT as it derives majority of revenue from government organization viz. Chhattisgarh Renewable Energy Development Agency (CREDA), thus the sales contribution to TOI from top 3 customers stood at 84.23% for FY20, whereas 64.29% of its purchases are made from top three suppliers thereby indicating high level of customer and supplier concentration risk respectively.

Presence in highly competitive & fragmented industry

The firm operates in a highly competitive & fragmented industry with low entry barriers and thereby faces competition from many organized and unorganized players, which has led to increased competition. Furthermore, with increasing growth opportunities for solar energy sector due to government support/incentives, more players are entering the industry thereby facing intense competition from the market.

Partnership nature of its constitution

NT is a partnership firm; it has limited ability to raise capital as it has restricted access to external borrowings where personal net worth and credit worthiness of partners affect decisions of prospective lenders. Further, it is susceptible to risks of withdrawal of partners' capital at time of personal peril and poor succession decisions may raise the risk of dissolution of the firm

Key Rating Strengths

Experienced and qualified promoters

NT possesses a track record of over 8 years of in supply and installation of solar Photovoltaic, HVAC solutions and Energy Storage solutions, it is promoted and managed by experienced and qualified professionals viz. Mr. Bala Kishore Bijinepally who has an industry experience of more than two decade in marketing & finance related activities across various sectors like Solar, Energy Storage Solutions, Power, Telecom, Railways, IT, pharma and Banking & Retailing. Mr. Umapathi has an industry experience of more than two decade in marketing & Project Management related activities across various sectors like Solar, Energy Storage Solutions, Power, Telecom, Railways. Mr. Manjunath has more than a decade of experience in Business Development and Customer Relationship Management, Risk Analysis & Management, Information Technologies and Business Tools.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of NT marked by overall gearing ratio remained comfortable in past. However, the same has deteriorated marginally to 0.71x as on March 31, 2021 vis-à-vis 0.67x as on March 31, 2020 on account of increase in debt level (due to higher utilization of the working capital limit coupled with infusion of funds by promoters in form of unsecured loans) and withdrawal of capital by partners. Owing to above, the total debt/GCA has also deteriorated to 7.79 x in FY21 vis-à-vis 5.29x in FY20.

However, comfort can be drawn from the fact that out of the total debt outstanding as on March 31, 2021, 42.30% is in the form of unsecured loans from family and promoters which is interest free having no fixed repayment schedule.

The interest coverage ratio improved to 2x in FY21 vis-à-vis 1.29x in FY20 due to savings in interest cost.

Diversified product portfolio

The product portfolio is diversified with three segments - Solar PV, HVAC and energy storage solutions viz. Solar panels, Solar roof top On grid and Off grid, Solar Power plant, Solar Fencing, Solar Street lights, Solar Pump, solar mounting, Heat Pumps, Chiller, Passive cooling System, Precision AC, Lithium-Ion Batteries, Sealed Maintenance Free (SMF) Batteries, Gel Batteries, Lead Acid Batteries. However, the major portion of revenue is derived from Solar PV business (70% of TOI in FY20) as the firm has installed various solar PV and energy storage projects in Karnataka, Chhattisgarh, Telangana, Maharashtra and Rajasthan. Registered and empanelled with various government organizations with strong order book position The firm is registered and

empaneled with various government organizations like MNRE (Ministry of New and Renewable Energy), CREDA (Chhattisgarh State Renewable Energy Development Agency), OREDA (Orissa Renewable Energy Development Agency), NREDCAP (New & Renewable Energy Development Corporation Of Andhra Pradesh Limited), TNREDCO (Telangana State Renewable Energy Development Corporation Ltd), CESC (The Calcutta Electric Supply Corporation), CESCO (Chamundeshwari Electricity Supply Corporation), PEC Limited, UL Certified, TUV Certified and Central Power Research Institute (CPRI) Certified for which the firm regularly bids tenders and gets regular flow of orders. The firm has additionally registered and empanelled with Apex body of government i.e. Rural Electrification corporation (REC) from which the firm gets orders from Delhi government for solar home lights project.

Liquidity: Stretched

Liquidity position remained adequate marked by moderate cushion in cash accruals against the debt repayment obligations of the company. The average utilization of its bank limit remained high at 95% during past 12 months ended February 2022.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE Ratings Ltd.'s Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Naviya Technologies (NT) was established in July 2011 as a partnership firm by Mr. Balakishore Bijnepally, Mr. Karanam Bheemalingam Umapathi and Mr. Manjunath Bijnepally. NT is engaged in the supply and installation of Solar Photovoltaic Solution, HVAC Solution and Energy Storage Solution (viz. Solar panels, solar roof top on grid and off grid, Solar Power plant, Solar Fencing, Solar Street lights, Solar Pump, Batteries, Heat pumps, chillers etc.). NT designs the products as per customer requirement and it also does EPC work (Engineering, Procurement and Construction) for underground cabling. The firm also provides after sale services for five years. In 2013 the firm started its solar PV business for installation of various on grid and off grid Roof top in across Chhattisgarh, Andhra Pradesh, Karnataka, Orissa etc. NT operates through its registered office and plant situated in Kandivali, Mumbai. The firm has various credentials viz. MNRE On and Off Grid channel partner, ISO 9001:2015 certified, UL and TUV Certified Solar Pumping System, ISO 14001:20 certified. Further, they are a part of "Decentralized Distribution & Generation" (DDG) Scheme of "Deen Dayal Upadhyaya Grameen Jyoti Yojana" (DDUGJY) Project; a Government of India initiative to electrify the Un-Electrified (UE) villages along with executing various projects under Integrated Power Development Scheme (IPDS), executing solar drinking water purification system under 'National Safe Drinking Water Mission', 'Jal Jeevan Mission', 'Saubhagya Yojana' scheme under GOI amongst others.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	50.71	56.92	NA
PBILDIT	2.60	2.59	
PAT	1.30	1.22	
Overall gearing (times)	0.67	0.71	
Interest coverage (times)	1.28	2.00	

A: Audited

Status of non-cooperation with previous CRA: NIL

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	9.40	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	4.10	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits		-	-	-	3.50	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	3.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	5.00	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (02-Jul-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Apr-20)	-	1)CARE BB; Stable (09-Nov-18)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	9.40	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE BB; Stable / CARE A4 (02-Jul-21)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (06-Apr-20)	-	1)CARE BB; Stable / CARE A4 (09-Nov-18)
3	Non-fund-based - ST-Letter of credit	ST	4.10	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (02-Jul-21)	1)CARE A4; ISSUER NOT COOPERATING* (06-Apr-20)	-	1)CARE A4 (09-Nov-18)
4	Fund-based - LT-Proposed fund based limits	LT	3.50	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (02-Jul-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Apr-20)	-	1)CARE BB; Stable (09-Nov-18)
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	3.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE BB; Stable / CARE A4 (02-Jul-21)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (06-Apr-20)	-	1)CARE BB; Stable / CARE A4 (09-Nov-18)
6	Non-fund-based - ST-Letter of credit	-	-	-	-	1)CARE A4; ISSUER NOT COOPERATING* (06-Apr-20)	-	1)CARE A4 (09-Nov-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Proposed fund based limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
 Contact no.: +91-22-6754 3573
 Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Parijat Sinha
 Contact no.: 9769398029
 Email ID: parijat.sinha@careedge.in

Relationship Contact

Name: Saikat Roy
 Contact no.: +91-98209 98779
 Email ID: saikat.roy@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**