

Surana Telecom & Power Limited

February 11, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	34.21	CARE BBB-; Stable; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	3.50	CARE A3; ISSUER NOT COOPERATING* (A Three ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	37.71 (Rs. Thirty-Seven Crore and Seventy- One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Surana Telecom & Power Limited (STPL) to monitor the rating(s) vide e-mail communications dated August 2021 to January 2022 among others and numerous phone calls. However, despite our repeated requests, the company 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. The rating on STPL's bank facilities and/or instruments will now be denoted as **CARE BBB-; Stable/CARE A3; 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).

The ratings have been revised on account of decline in profit levels during FY21 (FY refers to the period April 01 to March 31). The ratings however, derive comfort from experienced promoters, established track record of Hyderabad based Surana group, Long term Power Purchase agreements (PPA's) with various DISCOMS and satisfactory financial performance of the company. The rating strengths, however, are partially offset by significant exposure towards associate and group companies, risk related to commissioning and stabilization of 3 MW capacity and susceptibility of power generation to variation in climatic conditions & technological risk associated with solar power plants

Detailed description of the key rating drivers

At the time of last rating on December 09, 2020 the following were the rating strengths and weaknesses (updated for the information available from BSE)

Key Rating Strengths

Experienced promoters

STPL was promoted by Mr. Narendra Surana and Mr. Devendra Surana in 1989. The Managing Director of the company; Mr. Narendra Surana is a Chemical Engineer and has more than two decades of experience in renewable energy sector and more than three decades of experience in metal and telecom industry. Mr. Devendra Surana is a Mechanical Engineer from Osmania University and holds a Post Graduate Diploma in Management from IIM, Bangalore. He has been in the field of Ferrous & Non Ferrous & Telecom Industry for the more than three decades and has experience of two decades in renewable energy sector. The promoters are assisted by a team of qualified professionals down the line.

Established track record of Hyderabad based Surana Group

Founded in 1978, the Surana Group is a Hyderabad based well diversified business conglomerate with focus on areas of Telecommunications, Copper rods, Copper Pipes, Copper Sheets, Copper Foils, Power Cables and Wind & Solar Power generation. The group consists of around forty companies with an overall track record of over four decades. The companies in the group derive benefit from operational synergies within the group. Like, STPL receives all the replacement equipment such as PV modules from Surana Solar Limited and also Operations & Maintenance (O&M) is done in-house and no outside O&M contractor needs to be appointed.

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

Long-term Power Purchase Agreements (PPAs) with various DISCOMS and reputed organizations

STPL for its 25 MW operational capacity has long term PPAs tied up with various state distribution companies such as Gujarat Urja Vikas Nigam Limited, Uttar Pradesh Power Corporation Limited (UPPCL) and Southern Power Distribution Company of 1 Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications. 2 CARE Ratings Limited Press Release Telangana Limited (TSSPDCL) along with reputed organizations like Tata Communication Limited (TCL) and Bhagyanagar India Limited (BIL). The tariff ranges between Rs.5.60/Kwh to Rs.15/Kwh depending upon location and the off-taker.

Satisfactory financial performance of the company

The scale of operations and PBILDT margin remained stable in FY21, TOI stood at Rs. 31.22 crore (PY:31.40 crore) and PBILDT margin at 66.15% (PY:65.3%). The PAT margin of the company decreased by 51% on account of other non operating income of Rs.5.70 crore during FY20. Nevertheless, the PAT margin during FY21 remained inline with the previous years (FY18 and FY19) i.e., above 11-12%

Comfortable leverage and coverage indicators

The capital structure of the company marked by overall gearing ratio remained comfortable at 0.37x as on March 31, 2021 at the back of scheduled repayment of term loans coupled with increase in tangible network

Key Rating Weaknesses

Significant exposure towards associates

The exposure of STPL in its associate companies is around Rs.51.74 crore as on March 31, 2021 by way of equity investments/ loans/advances (Rs.48.35 crore as on March 31, 2020) which is ~42% of its net-worth

Small sized entity

Despite being present in the industry for more than three decades, the company remains a relatively small sized entity with a total operating income of Rs.31.22 crore in FY21 and a moderate net worth base of Rs.120.79 crore as on March 31, 2021

Pending grid access approval for 3MW capacity

Tejas India Solar Energy Pvt. Ltd., a wholly owned subsidiary has completed erection of 3 MW grid connected solar power plant at Gajwel Mandal, Medak District, Telangana and is making required efforts to obtain approvals for synchronisation of the project to the grid and sale of power under open access route. The Company has approached Telangana State Electricity Regulatory Commission for passing the necessary orders in this regard. The matter is under process

Exposure of the project towards climatic conditions and technological risk

The CUF level of a solar power plant primarily depends upon factors like solar radiation levels, temperature and climatic conditions, losses in PV systems and transmissions efficiency of the design parameters of the plant and inverters installed, module ageing and degradation etc. While losses in PV systems, design parameters, inverter efficiency and module 3 CARE Ratings Limited Press Release degradation depend on the overall manufacturing pattern and technical soundness of the modules, solar irradiance levels and overall climatic conditions are beyond human control and thus have the potential to adversely affect the operational efficiency of a solar power plant.

Liquidity analysis: Adequate

The liquidity profile of the company is adequate. The company has been generating sufficient cash accruals vis-à-vis the repayment obligations. With a gearing of 0.41 times as of March 31, 2020, the issuer has sufficient gearing headroom, to raise additional debt for its capex. The utilization of working capital limits remained modest. Net cash flows from operations amounted to ~Rs.16 crore and cash & cash equivalents amounted to Rs.1.75 crore as on March 31, 2020. The company has not availed moratorium for any of its bank facilities

Analytical approach: Consolidated

CARE has analyzed the consolidated financials of Surana Telecom and Power Limited and its three subsidiaries, Surana Solar Systems Private Limited, Tejas India Solar Energy Private Limited, Bhagyanagar Green Energy Ltd. (BGEL) and Aryavaan Renewable Energy Private Limited while arriving at the ratings of Surana Telecom and Power Limited

Applicable Criteria
[Policy in respect of Non-cooperation by issuer](#)
[Policy on default recognition](#)
[Consolidation](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Power Generation Projects](#)
[Solar Power Projects](#)
About the company

Surana Telecom and Power Limited (STPL), incorporated as Private Limited Company in August 1989 as Surana Petro Products Private Limited was promoted by Mr. Narendra Surana and Mr. Devendra Surana. Initially, the company was engaged in the business of manufacturing of Petro Products such as petroleum jelly and telecom products such as jointing kits. The company was reconstituted into "Public Limited" on July 09, 1993. In 1994, the company ventured into the telecom sector and was engaged in production of optic fibre cables, consequently it changed its name to "Surana Telecom Limited". Further, during 2007, the company diversified into power sector with the manufacturing of low tension and high tension power cables, subsequently the company's name was once again changed to "Surana Telecom and Power Limited". The Company is presently engaged in the business of generation of solar and wind energy. In the year 2011- 12, the company started with setting up a 5 MW Solar Power Project in Gujarat. Since then, the company has added several solar plants in its portfolio at holding as well as subsidiary level. At present, there are six solar power plants of 28 MW capacity (25 MW commissioned) and one wind power plant of 1.25 MW capacity in its portfolio.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22(Prov.)
Total operating income	31.40	31.22	23.40
PBILDT	20.51	20.65	17.62
PAT	6.92	3.49	5.53
Overall gearing (times)	0.41	0.37	NA
Interest coverage (times)	4.17	4.58	6.02

A: Audited; Prov: Provisional; NA-Not Available

Status of non-cooperation with previous CRA: NA**Any other information:** NA**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-Term Loan		-	-	September 2029	32.21	CARE BBB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	2.00	CARE BBB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	3.50	CARE A3; 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-Term Loan	LT	32.21	CARE BBB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (09-Dec-20)	-	-
2	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (09-Dec-20)	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	3.50	CARE A3; ISSUER NOT COOPERATING*	-	1)CARE A3 (09-Dec-20)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**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-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this CompanyTo 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.

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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.

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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.

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