



Press Release

GK Energy Private Limited (GKEPL)

September 17th, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	152.68 (Enhanced from Rs.31.98 crore)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	40.00 (Enhanced from Rs.7.50 crore)	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Upgraded	Simple
Long-term / short-term Bank Facilities - Proposed	60.50	IVR BBB/ Stable; IVR A3+ (IVR Triple B with Stable Outlook and IVR A Three Plus)	-	Assigned	Simple
Long Term Bank Facilities – Term Loan*	0.00	-	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Withdrawn	Simple
Total	Rs.253.18 crore (Rupees two hundred and fifty-three crore and eighteen lakhs only)				

**Infomerics has withdrawn the ratings for this facility on the basis of request by the company, and no dues certificate by the banker. The rating is withdrawn in line with Infomerics policy of Withdrawal of rating.*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has upgrade the rating assigned to the bank facilities of GKEPL. The rating upgrade takes into consideration the significant increase in turnover along with improved profitability over past two years. Further the rating continues to derive comfort from the strong revenue growth with improvement in profitability, moderate order book position, comfortable capital



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structure and debt protection metrics and experienced promoters, long track record and strong execution capabilities. The rating strengths are, however, constrained by working capital intensive operations.

The Stable Outlook reflects expected growth in revenue and profitability with moderate order book and expectations of stable debt protection metrics over FY25-FY27.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations along with profitability on a sustained basis.
- Significant improvement in working capital cycle improving liquidity of the company.

Downward Factors

- Moderation in the scale of operations due to delays in project execution impacting profitability and liquidity of the company.
- Stretch in the working capital cycle impacting the liquidity of the company.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Strong revenue growth with improvement in profitability

GKEPL's revenue has increased by 44% on year-on-year basis to Rs.411.09 crore in FY24 (A) (refers to period from April 01, 2023, to March 31st, 2024), driven by timely execution of installation of solar pumps with steady allocation from the government. Infomerics expects revenue growth remain sustainable in the future on account of GKEPL holds an unexecuted order book of Rs. 515.45 crore (1.25x of FY24 revenue) as on August 31st, 2024, which will executed in next three months ended as of December 2024. Additionally, the GKEPL continues to receive regular allocations of solar pump, from the government due to its strong execution capabilities and they had multi-year tied with government scheme which further increase its revenue. However, company has already achieved a revenue of Rs.330.00 crore till august 2024. GKEPL's EBITDA margins has improved significantly to 13.09% in FY24 (FY23: 6%) this was due to operating leveraged and execution of higher margin orders in FY24. Additionally, GKEPL procure raw material on bulk quantities which allowed them to get substantial discount which reduce the raw material cost. PAT margins also improved



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significantly to 8.77% in FY24 (FY23: 3.51%), due to healthy gross profitability and stable interest expenses.

Moderate order book position

GKEPL maintains strong connections with well-regarded clients and boasts a healthy order backlog. GKEPL derives majority of its revenue from installation solar pumps under PM-KUSUM Scheme funded by central as well state government. Currently, GKEPL holds an order book of Rs. 515.45 crores (1.25x of FY24 revenue) as on August 31st, 2024, of which ~Rs.466.49 crore belong to Maharashtra and rest belongs to Rajasthan, Uttar Pradesh and Haryana.

Comfortable capital structure and debt protection metrics

GKEPL is having unsecured loan from promoters of Rs.8.58 crore in FY24 (A), which is subordinated to the bank loans, and we treated these loans as quasi equity. The capital structure of GKEPL stood comfortable marked by overall gearing and TOL/TNW including quasi equity stood at 0.94x and 2.44x as on March 31st, 2024 (A) (March 31st, 2023: 1.25x and 4.99x), this improvement was due to healthy accretion of profits to reserves. Total debt comprises of Rs.55.98 crore out of which Rs.19.50 crore is term debt and remaining is working capital limits. The debt protection metrics remained comfortable with interest coverage ratio and total debt to NCA at 9.31x and 1.52 years respectively as on 31st, March 2024. (March 31st, 2023: 5.08x and 3.42 years), due to improvement in profitability.

Experienced promoters, long track record and strong execution capabilities

Incorporated in 2008, the company has been engaged in assembling and installation of solar energy products, hence the company has a long track record in the solar energy industry. Further, Mr Gopal Kabra, Managing Director who looks after the day-to-day and overall management of company's affairs holds master's degree in marketing and has about diverse experience of one and a half decade of experience in the industry.



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B. Key Rating Weaknesses

Working capital intensive operations

The operations of the GKEPL are working capital intensive due to high collection days stood in the range of 90 to 120 days at end of FY24, receivables days were little on higher side due to GKEPL has clocked 40% of the annual revenue in the Q4FY24. GKEPL manages its working capital cycle by availing credit period from its suppliers as it has a long-standing relationship with majority of its suppliers. Creditor days stood at 73 days in FY24 (FY23: 72 days), on account of this operating cycle stood at 60 in FY24 (FY23: 43).

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Service companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Adequate

The liquidity profile of GKEPL is adequate with expected to generate gross cash accruals in the range of Rs. ~36 crore to more than Rs. ~100 crores as against the minimal repayment obligation over FY25 and FY27. The current ratio stood at 1.34x as on March 31st, 2024 (March 31st, 2023: 1.17x); while quick ratio remains moderate at 1.20x (March 31st, 2023: 1.07x). The combined average fund-based bank limit utilization in the last 12 months ended August 31st, 2024, stood at 76.83%, the liquidity position of the company stood adequate. DSCR of the GKEPL stood comfortable at 6.52x in FY24 (A) improved from 3.83x in FY23.



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About the company

GKEPL is incorporated in 2008 based in Pune, Maharashtra and they are the EPC contractor for Installation of Solar pumps as well as system integrator of renewable energy products, solar power, energy efficiency product & projects. Current Tenders are being floated under the flagship scheme launched by Honourable Prime Minister in name of PMKUSUM to support farmers and increase the income of the farmers by providing the Pumping System to meet the water demand for agricultural purpose.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	285.03	411.09
EBITDA	17.10	53.82
PAT	10.02	36.14
Total Debt	36.15	58.28
Tangible Net Worth	19.78	55.92
EBITDA Margin (%)	6.00	13.09
PAT Margin (%)	3.51	8.77
Overall Gearing Ratio (x)	2.03	1.15
Interest Coverage (x)	5.08	9.31

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Bank Facilities	Long Term	152.68	IVR BBB/Stable	(21 st , Nov 2023) IVR BBB-/Stable	-	-
2.	Short Term Bank Facilities	Short Term	40.00	IVR A3+	(21 st , Nov 2023) IVR A3	-	-



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Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
3.	Long-term / short-term Bank Facilities - Proposed	Long Term/ Short Term	60.50	IVR BBB/ Stable; IVR A3+	(21 st , Nov, 2023) IVR BBB-/ Stable; IVR A3	-	-
	Long Term Bank Facilities – Term Loan*	Long Term	0.00	-	(21 st , Nov, 2023) IVR BBB-/ Stable	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – GECL Loan – 2.0	--	--	November 2026	3.18	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	45.00	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	20.00	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	30.00	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	30.00	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	24.50	IVR BBB/ Stable
Short Term Bank Facilities – Bank Guarantee	--	--	--	15.00	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	5.00	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	20.00	IVR A3+
Long-term / short-term Bank Facilities - Proposed	--	--	--	60.50	IVR BBB/ Stable; IVR A3+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GK-Energy-sep24.pdf>

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



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Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.