



Press Release

Topsun Energy Limited

August 01, 2024

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	24.00*	IVR BB/ Stable (IVR Double B with Stable Outlook)	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Upgraded	Simple
2.	Short Term Bank Facilities	28.00**	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	Reaffirmed	Simple
Total		52.00	Rupees Fifty-two Crores Only			

* Includes Packing Credit of Rs. 3.00 crore and Foreign LC of Rs. 4.00 crore as sub-limit of Cash Credit.

** Includes Foreign LC of Rs. 12.00 crore and Forward Cover Limit of Rs. 0.70 crore as sub-limit of bank guarantee.

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 Ratings has upgraded the long-term rating for the bank facilities to IVR BB with stable outlook and reaffirmed short term rating to IVR A4 for Topsun Energy Limited (TEL).

The rating continue to draw comfort from experienced promoters, established presence in the solar module industry with backward integration and required technical certification, good order book position reflecting satisfactory short-term revenue visibility, reputed clientele improvement in operating income and profitability, moderate capital structure, favourable demand outlook for solar modules, However, these rating strengths are partially offset by fluctuation in raw material prices impacting the profit margins, elongation in operating cycle resulting in dampening the liquidity and high competition from large Chinese and domestic players.

IVR has principally relied on the audited financial results of TEL's up to 31 March 2023, provisional financials as on 31 Mar,2024 (review period from 01st April 2023 to 31st March 2024) and projected financials for FY25, FY26 and FY27, and publicly available information/clarifications provided by the company's management.



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- **Upward Factors**

- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure.

- **Downward Factors**

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis.
- Moderation in Capital Structure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

Topsun Energy Limited is promoted by Mr. Dineshchandra Patel having Diploma in Electricals with an experience of over three decades into various fields. Mr. Chintan Patel, the Managing Director of the company, is a qualified B.E (Bachelors in Electronics and Communication Engineering) with an experience of close to two decades who looks after the marketing function. The promoters have more than two decades of experience in business of solar photovoltaic panel and installing rooftop solar panel and solar water pump. The company has adequate technical and project management capabilities to handle multiple projects at a time and has supported the overall performance.

Established presence in the solar module industry with backward integration and required technical certification.

TEL is an established player in the solar module sector with experience of over a decade. TEL has an operational track record of close a decade where the company has been engaged in design, consulting, EPC and Operations & Maintenance (O&M) services for off-grid as well as on-grid photovoltaic power projects as an integrated solar energy solutions provider.

Good order book position reflecting satisfactory short-term revenue visibility.

The company has unexecuted order book of Rs. 77.56 crore for EPC contracts and the PV module supply contracts. Company's order book is diversified towards multiple clienteles of the total order book. The outstanding order book has to be executed over the period of July 2024 to December 2024. Furthermore, the management also contends that there are some high value orders which are in various stages and are expected to materialize in the next 3-6 months which will ensure short term revenue visibility.



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Reputed clientele

Company has built up a strong clientele over the years, which is constantly expanding. Some of the reputed clients served by the company are AAI, Indian Oil, ONGC, ISRO, BSNL, Gujarat University, NTPC, GAIL, NEEPCO etc. with such strong clientele company expects constant flow of orders and to maintain its steady growth and reduces the counter party default risk.

Improvement in Operating income and profitability

TEL has reported an increase in its Operating income in FY 24 (Prov.) at Rs. 105.12 Cr as against Rs. 66.23 Cr. in FY 23. This is mainly due to the recent uptick in demand for solar modules and solution providers in the domestic market. The profitability margins also showed improvement and as EBITDA and PAT margins stood at 8.06% and 2.35% respectively in FY24 (Prov.).

Moderate capital structure

The capital structure of the company remained moderate over three past fiscal years ending 2024. The overall gearing remained moderate at 1.55x in FY24 (Prov.), as against 1.03x in FY23. The tangible net worth stood healthy at of Rs 29.48 crore as on March 31, 2024, as against Rs 27.00 crore in the previous year. Total indebtedness of the company remained moderate as reflected by TOL/TNW at 2.53 times in FY24 (Prov.).

Favourable demand outlook for Solar Modules

The demand outlook for solar modules remains favourable supported by improved tariff competitiveness as compared to conventional energy sources and policy support from Government of India. Further, the government is focused on improving the domestic solar module manufacturing capacity.

A. Key Rating Weaknesses

Fluctuation in raw material prices impacting the profit margins

The profitability of the company remains exposed to fluctuations in raw material prices. However, the risk is mitigated to some extent given the relatively short cycle from order to delivery. Although, the profitability indicators remain exposed to volatility and linkage between price movement of solar cells and modules as it constitutes major cost in the product.

Elongation in operating cycle resulting in dampening the liquidity

The operating cycle of the company remained elongated at around 169 days in FY24. Going forward, effective management of working capital and early realisation of receivables is a key rating monitorable.



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High competition from large Chinese and domestic players

TEL has been engaged majorly into tender driven business with regards to trading, supply and installation of solar PV modules for which the company has required technical capability and execution record. No significant investment or expertise is required for the system integration work carried out by TEL which results in low entry barriers in the business. Hence, the company faces high competition from large domestic and Chinese module manufacturers having a better cost structure due to their large scale of operations and relatively longer track record in module manufacturing.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on default recognition and post-default curing period](#)

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

Liquidity – Adequate

The liquidity profile of TEL to be indicated by gross cash accruals of Rs. 4.59 crore as against CPLTD of Rs. 2.22 crore in FY24(Prov.). Further the GCA is expected to increase in the projected period with no repayment obligations. The Current ratio stood at 1.77x and quick ratio at 1.71x as on March 31, 2024 (provisional). The company has cash and cash equivalents amounting of Rs. 3.67 crore in FY24. All these factors reflect that liquidity position of the company has been improved will remain adequate in the near term.

About the Company

Incorporated in 2007, Topsun Energy Limited (“TEL”) is promoted by Mr. Dineshchandra Patel and family of Mehsana, Gujarat. The company engaged in undertaking turnkey projects including erection, commissioning, and laying of solar panels for residential, commercial and government projects.

Company’s photovoltaic products include solar lanterns, Solar home lights, Solar streetlights System, Solar Garden lights, Solar power plants, Solar Water Pumping System, Solar Traffic Signals, Solar Air cooler, solar refrigerator etc.



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Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	66.23	105.12
EBITDA	0.62	8.47
PAT	-2.29	2.47
Total Debt	27.89	45.78
Tangible Net worth	27.00	29.48
EBITDA Margin (%)	0.94	8.06
PAT Margin (%)	-3.43	2.35
Overall Gearing Ratio (x)	1.03	1.55
Interest Coverage Ratio (x)	0.23	2.05

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

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 (July 24, 2023)	Date(s) & Rating(s) assigned in 2022-23 (June 10, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Apr 30, 2021)
1.	Cash Credit	Long Term	24.00*	IVR BB/Stable	IVR BB-/Stable	IVR BB+/Stable	IVR BB+/Stable
2.	Bank Guarantee	Short Term	28.00**	IVR A4	IVR A4	IVR A4	IVR A4

* Includes Packing Credit of Rs. 3.00 crore and Foreign LC of Rs. 4.00 crore as sub-limit of Cash Credit.

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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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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
Cash Credit	-	-	-	24.00*	IVR BB/Stable
Bank Guarantee	-	-	-	28.00**	IVR A4

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** Includes Foreign LC of Rs. 12.00 crore and Forward Cover Limit of Rs. 0.70 crore as sub-limit of bank guarantee.

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Topsun-aug24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined 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 [Complexity Level of Rated Instruments/Facilities](#).