



Press Release

Gautam Solar Private Limited

August 05, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Bank Facilities	18.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Short Term Bank Facilities	54.55	IVR A3 (IVR A three)	IVR A3 (IVR A three)	Reaffirmed
Total	72.55 (Seventy-Two crores and Fifty five Lakhs)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating to the bank facilities Gautam Solar Private Limited factors in the revenue growth in FY2021P driven supported primarily by execution of primarily government orders while maintaining a comfortable capital structure and consequent coverage indicators. The reaffirmation also factors in the adequate order book from reputed customers as also the favorable demand for solar energy enabled products. The ratings continue to factor in the established presence in the solar product manufacturing industry with backward integration and required technical certifications. The ratings, however, remains constrained by moderation in operating profitability as also its, high working capital intensity driven by stretched receivables. Further, the company also remains exposed to high competition given the tender driven nature of operations Further, the profitability to adverse also remains vulnerable to fluctuation in raw material prices.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in scale with improvement in profitability metrics.
- Optimizing the working capital cycle thereby reducing dependence on the external borrowings



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Downward Factors

- Significant dip in operating income and/or profitability impacting the debt coverage indicators could lead to a negative rating action.
- Stretch in the operating cycle thereby increasing the dependence on borrowings also pressurising the capital structure and coverage indicators.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Revenue growth in FY2021 supported by execution of primarily government orders, favorable demand for solar energy enabled products

GSPL in FY2021 has registered a 14.49 % growth in its revenues post a dip in FY2020 supported by execution of orders from government agencies like HAREDA, Chhattisgarh Renewable Energy Development Agency, Energy Efficiency Services Limited among others. Infomerics expects the growth momentum to continue in the coming fiscals backed by an adequate orderbook and focus of the Central/State Governments in establishment of renewable energy-based community utilities lowering dependence on the traditional power grid connected utilities. The company in Q1FY2021 has achieved a revenue of Rs. 39.82 crore and is projected to book an income of around Rs. 145.00 crore for the current fiscal.

Established presence in the solar product manufacturing industry with backward integration and required technical certification

GSPL is an established player in the solar products manufacturing sector with experience of over four decades. The installed capacity of the solar module manufacturing unit is 120MW. GSPL has an operational track record of more than two decades wherein 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. Along with that, the operations of the company are partially backward integrated where the company itself manufactures solar PV modules which provides operational efficiency.

Adequate order book, customer mix dominated by various state government REDA's lowering counterparty credit risk to an extent



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The company as on July 30, 2021 has an adequate order book of Rs. 96 crore (0.65 times FY2021P revenues). The customer mix is mainly dominated by various state government renewable energy development utilities like Haryana Renewable Energy Development Agency, Chhattisgarh Renewable Energy Development Agency among others which reduces the counterparty credit risk to an extent. Further on, long term relations with these utilities has also resulted in a stable revenue stream through successful biddings. The order mix consists of installation of solar pumps, solar street lights, Solar Energy Generating System, Solar LED Street Lighting Systems, among others.

Comfortable capital structure mainly on adequate network, satisfactory coverage indicators

The capital structure while continuing to be comfortable also has shown an improvement year on year. Adequate control on debt levels which also have also shown a declining trend in the past few fiscals coupled with satisfactory network have led to the company maintaining its comfortable capital structure. Low reliance on external borrowings has also led to adequate coverage indicators despite a moderate profitability. With no additional debt to be availed, the capital structure and the coverage indicators are expected to be in line with the previous fiscals. The gearing remained at 0.11 times in FY2021 as compared to 0.20 times in FY2020 while the interest coverage remained at 7.21 times in FY2021 as compared to 1.38 times in FY2020. TD/EBIDTA, however remained at 0.78 times in FY2021 as compared to 1.38 times in FY2020.

Key Rating Weaknesses

Operating profitability at moderate levels, declining trend in the past fiscals

The company has reported a moderate profitability in the past two fiscals. Notably, it has also shown a declining trend in past few fiscals. The EBIDTA margin remained at 8.53% in FY2021 as compared to 9.49 times in FY2020 and 13.30 % in FY2019 mainly on rising raw material costs. Maintaining the EBIDTA margins at adequate levels will be a key monitorable going forward.

High working capital intensity driven by stretched receivables

The working capital intensity remained high at 78% in FY2021 in line with 87% in FY2020 driven by the stretched receivables. The receivables also remain dominated by retention money with various state REDA's and other entities, its periodical crystallization remains crucial for the liquidity of the company. While the debtor days



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continues to remain above 230 days in FY2021 in line with FY2020, the operating cycle remained at 269 days and 254 days in FY2020 and FY2021 respectively.

Tender driven nature of operations resulting in high competition

GSPL has been engaged majorly in the tender driven business constituting manufacturing, supply and installation of solar energy enabled products. Moderately asset light nature of the business with modest expertise required for the system integration work results in low entry barriers in the business. Hence, the company faces high competition from large domestic and overseas players having a better financial flexibility due to their large scale of operations also resulting in economies of scale. However, extensive bidding across various agencies have led to company maintain adequate tender flow moderating the competition to an extent.

Vulnerability of profitability to adverse fluctuation in raw material prices

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. The company sources the key inputs from domestic suppliers who provide an average credit period of 40 days.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Sector

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Adequate

The liquidity of the company remains adequate as satisfactory accruals in FY2021 which are likely to be maintained in the near term. Further, no repayments in the near term also provides comfort. GSPL has reported bank limits utilization for past 12 months ended at June, 2021 at 59% reflecting sufficient room to meet incremental working capital requirements. The elongated collection period in the past fiscals has resulted some pressure on working capital requirements.

About the Company

Gautam Solar Pvt Ltd (GSPL) was incorporated in the name of 'Gautam Polymers' in 1993, by Mr. Brij Kishore Mohanka. In 2014, the name was rechristened to 'Gautam



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Solar Pvt Ltd' and the constitution of the company was reconstituted as a private limited company. GSPL is engaged in manufacturing of solar panel, Lithium Ferrous Battery, solar lights and structures. It also undertakes turnkey contracts for Decentralised solar systems like solar pumps, solar lights and EPC Contracts for rooftop installations. The company has cumulative experience of more than two decades in the solar industry and has more than 9MW solar power projects under execution and maintenance.

Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	124.62	142.79
EBITDA	11.83	12.18
PAT	6.42	6.89
Total Debt	16.28	9.44
Tangible Net worth	82.35	89.24
EBITDA Margin (%)	9.49	8.53
PAT Margin (%)	5.12	4.81
Overall Gearing Ratio (x)	0.20	0.11

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 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash credit	Long Term	18.00	IVR BBB- /Stable	IVR BBB- /Stable As on May	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
					07, 2020		
3.	BG	Short Term	54.55	IVR A3	IVR A3 As on May 07, 2020	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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- Cash Credit	-	-	Revolving	18.00	IVR BBB-/Stable
Short Term Bank Facilities- BG	-	-	Revolving	54.55	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/gautam-solar-lenders-5aug21.pdf>