

March 09, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	7.86	SMERA BBB-/Stable (Assigned)
Cash Credit	11.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	12.50	SMERA A3 (Assigned)
Letter of Credit	5.00	SMERA A3 (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.18.86 crore long-term bank facilities and '**SMERA A3**' (read as **SMERA A three**) to the Rs.17.50 crore short-term bank facility of Gautam Solar Private Limited (GSPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, established relations with customers and healthy financial risk profile. However, the ratings are constrained by the company's exposure to substitution risk. The ratings note that the company operates in an intensely competitive segment of the solar industry.

GSPL, incorporated in 1993, is a Delhi-based company engaged in manufacturing of solar panels and lanterns. GSPL benefits from its experienced management. Mr. Gautam Mohanka, promoter of GSPL, has around three decades of experience in the solar industry. GSPL also benefits from its long-standing relations with customers. The company's healthy financial risk profile is reflected in low gearing (debt-equity ratio) of 0.57 times as on March 31, 2014 and strong interest coverage ratio of 7.66 times in FY2013-14 (refers to financial year, April 01 to March 31). GSPL reported healthy operating profit margin of 12.72 per cent and net profit margin of 9.61 per cent in FY2013-14.

GSPL is exposed to product substitution risk as the cost of solar equipment is relatively higher than the cost of substitute products such as electric rechargeable devices. GSPL faces intense competition from several players in the solar industry.

Outlook: Stable

SMERA believes GSPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and cash accruals while achieving a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's revenues and cash accruals, or in case of deterioration in the company's financial risk profile and liquidity position.

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About the company

GSPL, incorporated in 1993, is a Delhi-based company promoted by Mr. Gautam Mohanka. GSPL is engaged in manufacturing of solar panels and lanterns.

For FY2012–13, GSPL reported net profit of Rs.5.75 crore on total income of Rs.59.83 crore, as compared with net profit of Rs.5.71 crore on total income of Rs.52.22 crore in FY2011–12. GSPL's net worth stood at Rs.18.47 crore as on March 31, 2014, as compared with Rs.13.20 crore a year earlier.

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