

Press Release

GEIE Solar Products India Private Limited

March 23, 2021



Rating assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 10.00 Crore bank facilities of GEIE Solar Products India Private Limited. The outlook is '**Stable**'.

About the Company

Established the business in 2006 and later incorporated in 2013 as GEIE Solar Product India Private Limited is engaged in the manufacturing of various kind of solar products. Ghaziabad based company is currently managed by director Mr. Krishna Kadariya and Mr. Sapan Das.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of GEIE to arrive at the rating.

Key Rating Drivers

Strengths

- **Experience management**

The promoters of the company have long experience in solar product industry. Company promoters are Mr. Krishna Kadariya and Mr. Sapan Das. Mr. Krishna Kadariya is the managing director and has vast experience in the solar product industry. He is ably supported by other key managerial personnel who are professionally running the company.

Acuité believes that GEIE will continue to benefit from its promoter's extensive experience in the industry.

- **Improvement in revenue and profitability**

In FY2020 the revenue have increased by 38% and stood at Rs.24.13 Crore in FY2020 as against Rs. 17.38 Crore in FY2019. This is mainly due to increase in demand for the product in the market. The EBITDA Margins improved to 2.80 percent for FY2020 as against 1.50 percent in FY2019. The PAT margin improved to 1.53 percent in FY2020 from 0.73 percent in FY2019.

In the current financial year, the performance of the company has declined due to Covid-19 pandemic and as of 31-01-2021, the company have only achieved a revenue of ~Rs.10.00 Crore.

Acuité believes that GEIE will perform better in the near to medium term on account of higher demand of product in the market.

Weaknesses

- **Average Financial Risk Profile**

Company's financial risk profile remained average marked by low net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.0.88 Crore as on 31 March 2020 as against Rs.0.52 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 1.39 times as on 31 March 2020 as against 2.16 times as on 31 March 2019. The total debt of Rs.1.23 Crore as on 31 March 2020 consists of secured loan of Rs.0.49 Crore, unsecured loan of Rs.0.32 Crore and working capital borrowings of Rs.0.42 Crore. The interest coverage ratio (ICR) stood high at 5.49 times in FY2020 as against 2.98 times in FY2019.

NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.33 times in FY2020 as against 0.12 times in FY2019.

• **Intensive working capital nature of operation**

The working capital management of the company is intensive in FY2020 marked by Gross Current Assets (GCA) of 146 days in FY2020 as against 174 days in FY2019. The inventory and debtor levels stood at 8 days and 96 days in FY2020 as against 46 and 90 days in FY2019, respectively. The creditor days stood at 100 days in FY2020 as against 89 days in FY2019. However, the average utilization of bank limits stood low at ~59 per cent in the last six months ending February, 2021.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of high debtor days.

Rating sensitivity

- Modest scale of operation
- Working capital nature of operation is intensive due to high debtor days.

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.41 Crore in FY2020 as against no significant CPLTD for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.30 Crore to Rs.0.70 Crore during FY2021-23 against CPLTD of ~Rs.0.25 Crore each year for the same period. Company's working capital operations are intensive marked by Gross Current Asset (GCA) days of 146 days in FY2020. The average utilization of bank limits stood low at ~59 per cent in the last six months ending February, 2021. Company maintains unencumbered cash and bank balances of Rs.0.15 Crore as on 31 March 2020. The current ratio stands at 1.16 times as on 31 March 2020.

Outlook: Stable

Acuité believes GEIE will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	24.13	17.38
PAT	Rs. Cr.	0.37	0.13
PAT Margin	(%)	1.53	0.73
Total Debt/Tangible Net Worth	Times	1.39	2.16
PBDIT/Interest	Times	5.49	2.98

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Not applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB-/Stable (Assigned)
Proposed Non Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A4 (Assigned)

Contacts

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About Acuité Ratings & Research:

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