

Press Release

Gautam Solar Private Limited

November 26, 2018

Rating Reaffirmed and Withdrawn



Total Bank Facilities Rated*	Rs. 36.36 crore
Long Term Rating	ACUITE BBB-/ Stable
Short Term Rating	ACUITE A3

*Refer annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 36.36 crore bank facilities of Gautam Solar Private Limited (GSPL). The outlook is '**Stable**'.

Further, Acuite has withdrawn the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 7.86 crore bank facilities of GSPL.

GSPL, a Delhi based company was established as a partnership firm in 1993 by Mr. Braj Mohanka. Later in 2014, the constitution was changed to private limited. GSPL is engaged in manufacturing of solar panel, solar LED and solar lanterns. The company also undertakes rooftop installations and EPC contracts for solar power projects.

GSPL has in-house solar panel manufacturing unit at Haridwar (Uttarakhand) with installed capacity of 65 MW. There are 4 manufacturing facilities for panels, LEDs and lanterns. The company is also engaged in providing repair and maintenance to the under warranty products through its service centers.

Analytical Approach:

Acuite has considered the standalone business and financial risk profiles of GSPL to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

GSPL was established as a partnership firm in 1993 by Mr. Braj Kishore Mohanka and later on his sons, Mr. Gautam Mohanka and Mr. Sharad Mohanka joined him in the business. Mr. Braj Kishore Mohanka possess more than four decades of entrepreneurial experience in making structures for manufacturing units, airport hangers, warehouses through his association with another organisation before forming this firm. Mr. Gautam Mohanka and Mr. Sharad Mohanka also have more than two decades of experience in the solar industry.

Acuite believes that GSPL will be benefitted by the established track record and experienced management over the medium term.

Healthy business profile with healthy profitability:

GSPL has healthy business profile marked by established relationships with reputed customers such as Madhya Pradesh Urja Vikas Nigam Limited, UP New and Renewable Energy Development Agency, Chhattisgarh Renewable Energy Development Agency (CREDA), Dakshinanchal Vidhyut Vitran Nigam Limited to name a few. Further, GSPL's business profile has been strengthened as it has in-house solar panel manufacturing unit at Haridwar with installed capacity of 65 MW, with total 4 factories for panels, LEDs and lanterns. In-house manufacturing of products has been the major reason for sustained improvement in profitability of the company.

GSPL registered significant growth in revenues Y-O-Y for the period FY2015 to FY2018 under the study. The operating income stood at Rs.180.33 crore in FY2018 as against Rs.163.02 crore in FY2017 and Rs.121.52 crore in FY2016. Further, the company has registered revenues of Rs.~64.37 crore for the period April to October, 2018. GSPL has healthy unexecuted order book position of Rs.170.21 crore as on October, 2018 representing 1.15 times of the total operating income of FY2018. The entire order is to be executed within FY2019, providing revenue visibility over the near to medium term. The order book is geographically spread across Madhya Pradesh, Uttar Pradesh and Rajasthan.

GSPL has healthy operating profitability margins which stood at 14.12 percent in FY2018 as against 14.75 percent in FY2017 and 12.45 percent in FY2016. The operating margins have declined in FY2018 on account of increase in warranty expenses amounting to Rs.17.39 crore in FY2018 (PY: Rs.9.93 crore). The net profitability margins are also high at 8.08 percent in FY2018 as against 8.60 percent in FY2017 and 7.06 percent in FY2016. The net profits declined on account of increase in interest and depreciation cost in FY2018 over FY2017.

Acuite believes that GSPL will maintain healthy business profile along with growth in revenues and profitability margins on the back of healthy order book position over the near to medium term.

Moderate financial risk profile:

The financial risk profile of GSPL remains healthy marked by healthy coverage indicators. The tangible net worth stood at Rs.58.48 crore as on 31 March, 2018 as against Rs.43.91 crore as on 31 March, 2017 on account of healthy accretion to reserves. The leverage and coverage ratios continue to remain healthy. The gearing stood low at 0.37 times as on 31 March, 2018 as against 0.51 times as on 31 March, 2017. The total debt of Rs.21.82 crore outstanding as on 31 March, 2018 comprises Rs.0.17 crore as vehicle loan, Rs.2.53 crore as unsecured loan from the promoters and Rs.19.12 crore as short term working capital borrowing. The interest coverage ratio stood healthy at 7.48 times in FY2018 as against 7.38 times in FY2017.

The total outside liabilities to tangible net worth ratio (TOL/TNW) stood comfortable at 1.20 times as on 31 March, 2018. The net cash accruals stood healthy at Rs.16.76 crore for FY2018 as against Rs.15.46 crore for FY2017 with no major long term debt obligation.

Acuite believes that GSPL will maintain its financial risk profile on the back of healthy generation of net cash accruals with no major capital expenditure plan over the near to medium term.

Weaknesses

Working capital intensity

The operations of GSPL are working capital intensive marked by high Gross Current Assets (GCA) of 207 days in FY2018 as against 161 days in FY2017. This is majorly on account of stretched receivables from the government entities which range between 120 to 190 days. Further, the receivables include majorly retention money kept with the government authorities because the

warranty period given to customers is 5 years. The average working capital utilisation for the last six months ended October, 2018 stood at 92.28 percent. The ability of the company to maintain its working capital cycle along with the receivables management will be key rating sensitivity.

Order execution risk along with customer concentration

GSPL has healthy unexecuted order book position of Rs.170.21 crore as on October, 2018. The order book is geographically spread across Madhya Pradesh, Uttar Pradesh and Rajasthan. The highest order value is for Rs.125.00 crore from UPNEDA which is a government agency. The revenues for FY2019 are expected to be generated through this order. Any delay in the execution of order will affect future cash flows. Thus, timely execution and payment from this order is critical to the company.

Outlook – Stable

Acuite believes that GSPL will maintain 'Stable' outlook over the medium term on account of the company's established market position in the solar industry and extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure owing to equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the rated entity- Key financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	180.33	163.02	121.52
EBITDA	Rs. Cr.	25.46	24.05	15.13
PAT	Rs. Cr.	14.57	14.02	8.58
EBITDA Margin	(%)	14.12	14.75	12.45
PAT Margin	(%)	8.08	8.60	7.06
ROCE	(%)	32.24	39.28	32.42
Total Debt/Tangible Net Worth	Times	0.37	0.51	0.67
PBDIT/Interest	Times	7.48	7.38	5.23
Total Debt/PBDIT	Times	0.84	0.92	1.30
Gross Current Assets (Days)	Days	207	161	149

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Mar-2018	Term loan	Long term	7.86	ACUITE BBB-Issuer not co-operating*
	Cash Credit	Long term	11.00	ACUITE BBB-Issuer not co-operating*
	Bank Guarantee	Short term	12.50	ACUITE A3 Issuer not co-operating*
	Letter of Credit	Short term	5.00	ACUITE A3 Issuer not co-operating*
24-Jun-2017	Term loan	Long term	7.86	ACUITE BBB-Issuer not co-operating*
	Cash Credit	Long term	11.00	ACUITE BBB-Issuer not co-operating*
	Bank Guarantee	Short term	12.50	ACUITE A3 Issuer not co-operating*
	Letter of Credit	Short term	5.00	ACUITE A3 Issuer not co-operating*
14-Mar-2016	Term loan	Long term	7.86	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long term	11.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short term	12.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short term	5.00	ACUITE A3 (Reaffirmed)

*The issuer did not co-operate; based on best available information.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loan	Not Applicable	Not Applicable	Not Applicable	7.86	ACUITE BBB-/Stable (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00 (Revised from Rs. 11.00 Cr.)	ACUITE BBB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.81 (Revised from Rs. 12.50 Cr.)	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.55 (Revised from Rs. 5.00 Cr.)	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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