



Press Release

STERLING GREEN POWER SOLUTIONS PRIVATE LIMITED (ERSTWHILE STERLING GENERATORS PRIVATE LIMITED)

October 29, 2024

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	112.73	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	255.35	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	368.08	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITÉ BBB-**’ (read as **ACUITE triple B minusa**) and short-term rating of ‘**ACUITÉ A3**’ (read as **ACUITE A three**) on the Rs. 368.08 Cr. bank facilities of Sterling Green Power Solutions Private Limited (Erstwhile Sterling Generators Private Limited). The outlook is ‘**Stable**’.

Rationale for Rating

The rating assigned takes into account strong parentage of SGPS, the company is a part of Shapoorji Pallonji Group, which holds a 56% stake in SGPS. The rating assigned also considers augmentation in scale of operation reflected by growth in operating income to Rs. 684.78 Cr. in FY24(Prov.) as against Rs. 461.50 Cr. in FY23 and Rs.395.66 Cr. in FY22. The improvement is expected to be sustainable, backed by comfortable order book position. As on August 2024, SGPS had an outstanding orderbook to the tune of Rs. 801.47 Cr, thereby providing satisfactory revenue visibility in the near to medium term. The company has recorded an improving trend in its profitability over the last three year period. The company reported operating profit margin of 10.44% in FY24(Prov.) as against 10.32% in FY23 and 7.71% in FY2022. The PAT margin stood at 3.91% in FY24(Prov.) against 3.30% in FY23 and 0.91% in FY22. The financial risk profile of the company remained moderate marked by moderate net worth, below unity gearing and comfortable debt protection metrics. The liquidity position of the company remained adequate on account of sufficient net cash accruals against matured debt obligations. The rating is constrained by working capital-intensive nature of operations of SGPS. Going forward, the company’s ability to further improve its operating performance while maintaining its financial risk profile and liquidity position will remain a key rating monitorable.

About the Company

Incorporated in 1995, Maharashtra based, Sterling Green Power Solutions Private Limited (Erstwhile Sterling Generators Private Limited) is engaged in manufacturing and distribution of diesel generator sets. Sterling Green Power Solutions Private Limited (SGPS) is a subsidiary of Shapoorji Pallonji Private Limited which holds 56% stake in SGPS and the balance 44% is owned by founder promoters Mr. Khurshed Yazdi Daruvala and family. Ms. Zarine Yazdi Daruvala and Mr. Khurshed Yazdi Daruvala are the directors of the company. Mr. Khurshed Daruvala

is directly involved in every strategic and critical operational decisions of the business. The company's operations include manufacturing, trading and execution of turnkey contracts which includes supply, installation, testing, commissioning of DG Sets along with providing after sales service support. The company has manufacturing, assembly, and testing facility for diesel generators and control panels in Silvassa, capable of assembling and testing DGs from 25kVA to 3300kVA.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Sterling Green Power Solutions Private Limited.

Key Rating Drivers

Strengths

Augmentation in scale while maintaining profitability margins, along with comfortable order book position

The operations of the company reported growth in operating income to Rs. 684.78 Cr. in FY24(Prov.) as against Rs. 461.50 Cr. in FY23, reflecting a YoY growth of 48.38% in FY24. This growth is primarily on account of the successful execution of orders. The increase in the operating income is backed by comfortable order book position with unexecuted order in hand to the tune of Rs. 801.47 Cr. as on Aug 31, 2024, thereby providing satisfactory revenue visibility in the near to medium term. The company has reported the operating profit of Rs. 71.49 Cr. in FY24(Prov.) against Rs. 47.62 Cr. in FY23 and Rs. 30.52 Cr. in FY22. The operating profit margin of the company stood at 10.44% in FY24(Prov.) as against 10.32% in FY23 and 7.71% in FY22. Also, the company has reported PAT of Rs. 26.75 Cr. in FY24(Prov.) as against Rs. 15.23 Cr. in FY23 and Rs. 3.61 Cr. in FY22. The PAT margin stood at 3.91% in FY24(Prov.) against 3.30% in FY23 and 0.91% in FY2022. Acuité believes, SGPS will continue to benefit from its established track record of operations and comfortable order book position backed by strong parentage. SGPS is a part of Shapoorji Pallonji Group, which holds a 56% stake in the company. Going forward, the company's ability to improve on its profitability levels while maintaining its scale of operations will be a key rating monitorable.

Moderate Financial Risk Profile

The financial risk profile of the company remained moderate marked by moderate net worth, below unity gearing and comfortable debt protection metrics. The tangible net worth of the company increased and stood at Rs. 159.16 Cr. in FY24(Prov.) as compared to Rs. 133.77 Cr. in FY23. The tangible net worth which stood at Rs. 159.16 Cr. as on March 31, 2024 includes Rs. 54.00 Cr. of quasi equity i.e funds from promoter/related parties subordinated to bank debt. The total debt of the company stood at Rs. 135.61 Cr. in FY24(Prov.) as against Rs. 147.43 Cr. in FY23. The gearing of the company further improved to 0.85 times in FY24(Prov.) as compared to 1.10 times in FY23. The total debt as on March 31, 2024 includes Rs. 17.35 Cr. of long term bank borrowings, Rs. 59.33 Cr. of unsecured loan from directors/promoters, and Rs. 58.92 Cr. of short term bank borrowings. The unsecured loan from directors or related parties includes redeemable preference share capital to the tune of Rs. 39.44 Cr. The preference share capital is due for redemption in CY2040, however, the company plans to redeem Rs. 10.00 Cr. each in FY2025 and FY2026. The debt protection metrics moderately improved with debt service coverage ratio of 1.61 times in FY24(Prov.) against 1.39 times in FY23. Also, the interest coverage ratio stood at 2.26 times in FY24(Prov.) as against 2.01 times in FY23.

Weaknesses

Working Capital intensive operations albeit improving

The operations of the company are working capital intensive in nature albeit improving marked by high GCA days at 228 days for FY24(Prov.) compared against 293 days in FY23 and 416 days in FY22. The company's receivable days improved and stood at 144 days for FY24(Prov.) compared against 149 days for FY23 and 209 days for FY22 due to longer collection period in the company's primary revenue-generating segment, which involves supply, installation, testing, and commissioning (SITC), where the payment is on milestone basis. The inventory levels of the company stood at 47 days in FY24(Prov.) compared against 77 days in FY23 and 73 days in FY22. The creditor days of the company stood at 153 days for FY24(Prov.) compared against 201 days for FY23 and 279 days for FY22. The average bank limit utilisation by the company stood at 82% for fund-based facilities and 71.63% for non-fund-based limits for the seven months ended July 2024. Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

Rating Sensitivities

- Improvement in scale of operation and profitability margins while maintaining the capital structure and liquidity position.
- Elongation of the working capital cycle.
- Timely redemption of preference shares.

Liquidity Position

Adequate

The liquidity position of the company remained adequate on account of net cash accruals against matured debt obligations. The net cash accruals of the company stood at Rs. 31.81 Cr. in FY24 (Prov.) and Rs. 19.78 Cr. in FY23 against matured debt obligations of Rs.7.50 Cr. and Rs. 6.88 Cr. respectively for the same period. The company is expected to generate net cash accruals in the range of Rs. 34 – Rs. 45 Cr. in FY25-FY26 as against maturing repayment obligations of Rs. 5-10 Cr. and the planned redemption of preference shares amounting to around Rs. 10.00 Cr. each year of FY25-26. The average bank limit utilisation by the company stood at 82% for fund-based facilities and 71.63% for non-fund-based limits for the seven months ended July 2024. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate net cash accruals against matured debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	684.78	461.50
PAT	Rs. Cr.	26.75	15.23
PAT Margin	(%)	3.91	3.30
Total Debt/Tangible Net Worth	Times	0.85	1.10
PBDIT/Interest	Times	2.26	2.01

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-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	125.00	Simple	ACUITE A3 Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A3 Assigned
Bank of Maharashtra	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.95	Simple	ACUITE A3 Assigned
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE BBB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.40	Simple	ACUITE A3 Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2025	11.88	Simple	ACUITE BBB- Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Jun 2028	0.85	Simple	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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