



Press Release

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

March 05, 2025

Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	128.50	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	57.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	239.58	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	425.08	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating of 'ACUITE BBB'(read as ACUITE triple B) from 'ACUITE BBB-' (read as ACUITE triple B minus) and short-term rating of 'ACUITE A3+' (read as ACUITE A three plus) from 'ACUITE A3' (read as ACUITE A three) on Rs. 368.08 Cr. bank facilities of Sterling Green Power Solutions Private Limited (Erstwhile Sterling Generators Private Limited) (SGPS). The outlook is 'Stable'.

Acuite has assigned its short-term rating of 'ACUITE A3+' (read as ACUITE A three plus) on the Rs. 57.00 Cr. bank facilities of Sterling Green Power Solutions Private Limited (Erstwhile Sterling Generators Private Limited) (SGPS).

Rationale for Rating upgrade

The rating upgrade is on account of the improvement in liquidity position of the company, which is expected to sustain backed by redemption of preference shares and infusion of funds in the form of OCDs in FY2025 which will be converted to equity by FY2026, further strengthening the liquidity position. Further, the rating also factors in the augmentation of operating scale backed by healthy order book position and improvement in financial risk profile of the company. The rating is however, constrained on account of working capital-intensive nature of operations and susceptibility of profitability to input prices and competitive landscape.

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. 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.

Mr. Khurshed Daruvala and Shapoorji Pallonji Company Private Limited have executed a Share Purchase Agreement (SPA) on 4th Jan 2025 with the Investors through a secondary sale of a portion of their shareholding. Post secondary sale of shares by Shapoorji Pallonji Company Pvt. Ltd. and Mr. Khurshed Daruvala reduced to 42.10% and 40.50% respectively. 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.

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 healthy order book position

The operations of the company reported growth in operating income to Rs. 677.62 Cr. in FY24 as against Rs. 461.50 Cr. in FY23, reflecting growth of 46.83% in FY24. This growth is primarily on account of the successful execution of orders. The increase in the operating income is backed by healthy order book position with unexecuted order in hand to the tune of Rs. 1280.40 Cr. as on December 31, 2024, thereby providing satisfactory revenue visibility in the near to medium term. The company has reported the operating profit of Rs. 64.21 Cr. in FY24 against Rs. 47.62 Cr. in FY23. The operating profit margin of the company stood at 9.48% in FY24 as against 10.32% in FY23. Also, the company has reported PAT of Rs. 26.65 Cr. in FY24 as against Rs. 15.23 Cr. in FY23. The PAT margin stood at 3.93% in FY24 against 3.30% in FY23. Acuite believes, going forward the company's ability to improve on its profitability levels while maintaining its scale of operations will be a key rating monitorable.

Improvement in 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. 159.06 Cr. in FY24 as compared to Rs. 133.77 Cr. in FY23. The total debt of the company stood at Rs. 135.61 Cr. in FY24 as against Rs. 147.43 Cr. in FY23. The gearing of the company further improved to 0.85 times in FY24 compared to 1.10 times in FY23. The TOL/TNW stood at 2.64 times in FY24 as compared to 2.87 times in FY23. The debt protection metrics moderately improved with debt service coverage ratio of 1.60 times in FY24 against 1.39 times in FY23. Also, the interest coverage ratio stood at 2.25 times in FY24 as against 2.01 times in FY23. Acuite believes that going forward the financial risk profile of the group is likely to remain same in near to medium term.

Infusion of funds in the form of OCD's

SGPS issued Optionally Convertible Debentures (OCDs) of Rs. 150.00 Cr. in Dec 2024 which will further converted into Compulsorily Convertible Debentures (CCDs) in March 2025, and would be converted to equity by the end of March 2026. Out of these funds, Rs. 25.00 Cr. was used for repayment of Preference shares and Rs. 58.6 Cr. was used for repayment of Unsecured loans by promoters and directors. Balance used to meet working capital requirements. Acuite believes that going forward the liquidity position and financial risk profile of the group is likely to improve on account of redemption of preference shares and infusion of funds by way of OCDs which are to be converted to equity by end of FY2026.

Weaknesses

Working Capital intensive operations

The operations of the company remained working capital intensive in nature marked by high GCA days at 230 days for FY24 compared against 293 days in FY23. The company has high receivable days of 144 days for FY24 compared against 149 days for FY23 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 compared against 77 days in FY23. The creditor days of the company stood at 153 days for FY24 compared against 201 days for FY23. The average bank limit utilisation by the company stood at 88.5 per cent for fund-based facilities and 67.64 per cent for non-fund-based limits for the thirteen months ended January 2025. Acuite believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

Susceptibility of profitability to input prices and competitive landscape

SGPS faces potential vulnerability in profit margins due to fluctuations in input prices for raw materials and components, particularly diesel engines and alternators, which are vital for manufacturing their generators. Additionally, stiff competition in the diesel generator market may exert pricing pressure, especially as the company expands into new regions.

Rating Sensitivities

- Improvement in scale of operation and profitability margins
- Elongation of the working capital cycle
- Changes in financial risk profile

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. 31.71 Cr. against matured debt obligations of Rs. 7.50 Cr. in FY24 and in FY23 the net cash accruals of the company stood at Rs. 19.78 Cr. against matured debt obligations of Rs. 6.88 Cr. The average bank limit utilisation by the company stood at 88.5% for fund-based facilities and 67.64% for non-fund-based limits for the thirteen months ended January 2025. 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 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	677.62	461.50
PAT	Rs. Cr.	26.65	15.23
PAT Margin	(%)	3.93	3.30
Total Debt/Tangible Net Worth	Times	0.85	1.10
PBDIT/Interest	Times	2.25	2.01

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Oct 2024	Bank Guarantee (BLR)	Short Term	125.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	75.40	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	14.95	ACUITE A3 (Assigned)
	Cash Credit	Long Term	75.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	11.88	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.85	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
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+ Upgraded (from ACUITE A3)
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+ Upgraded (from ACUITE A3)
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+ Upgraded (from ACUITE A3)
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 Upgraded (from ACUITE BBB-)
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 Upgraded (from ACUITE BBB-)
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 Upgraded (from ACUITE BBB-)
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	32.65	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.98	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	57.00	Simple	ACUITE A3+ Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2025	7.90	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Jun 2028	0.60	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)

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About Acuité Ratings & Research

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