



## Press Release

**Gautam Solar Private Limited**  
**May 07, 2020**

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	18.00	IVR BBB-/Stable (IVR Triple B minus with stable outlook)	Assigned
2.	Short Term Bank Facilities	54.55	IVR A3 (IVR A three)	Assigned
	<b>Total</b>	<b>72.55</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of Gautam Solar Private Limited derives comfort from its experienced promoters, established presence in the solar module manufacturing industry with backward integration and required technical certification, reputed clientele, Stable operating performance though moderation expected in FY20, comfortable financial risk profile marked by comfortable capital structure and healthy debt protection metrics. The ratings also considers its moderate order book position reflecting satisfactory short-term revenue visibility and favorable demand outlook for solar modules. However, these rating strengths are partially offset by uncertainty of imports from China due to Covid-19 crisis, tender driven nature of its operation with high competition from large domestic and overseas players, vulnerability of profitability to adverse fluctuation in raw material prices, and revenue concentration risk. The ratings also consider its working capital intensive nature of operations with elongated operating cycle.

### Key Rating Sensitivities:

#### Upward Factors

- Growth in scale of operations with improvement in profitability leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure and improvement in the debt protection metrics
- Improvement in the collection period leading to improvement in liquidity



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### Downward Factors

- More than expected moderation in operating income and/or profitability impacting the debt protection metrics
- Elongation in the operating cycle impacting the liquidity
- Withdrawal of subordinated unsecured loan and/or moderation in the capital structure marked by moderation in TOL/TNW over 2x
- Extension in restriction on imports resulting from Covid-19

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters**

Gautam Solar Pvt Ltd (GSPL) is promoted by Mr. BK Mohanka, who is an ex- professor in an Engineering college with experience of over four decades. Mr. Gautam Mohanka, Director, has completed MBA from MDI, Gurgaon with an experience of close to two decades who looks after the marketing function. Mr. Sharad Mohanka, Director, has completed his M.Tech from Carolina State University USA and has around a decade experience. The company has adequate technical and project management capabilities to handle multiple projects at a time and has supported the overall performance.

- **Established presence in the solar module manufacturing industry with backward integration and required technical certification**

GSPL is an established player in the solar module manufacturing sector with experience of over four decades. The installed capacity of the solar module manufacturing unit is 120MW. GSPL has an operational track record of more than two decades where the company has been engaged in design, consulting, EPC and Operations & Maintenance (O&M) services for off-grid as well as on-grid photovoltaic power projects as an integrated solar energy solutions provider. Along with that, the operations of the company are partially backward integrated where the company itself manufactures solar PV modules.

- **Reputed clientele**

The Company has built up a strong clientele over the years. Some of the reputed clients served by the company are Maharashtra State Electricity Board, Energy Efficiency Service



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Limited, Chhattisgarh Renewable Energy Development Agency. Presence of reputed clientele reduces the counter party default risk.

- **Moderate order book position reflecting satisfactory short-term revenue visibility**

GSPL is engaged in manufacturing of solar panel, Lithium Ferrous Battery, solar lights and structures. It also undertakes turnkey contracts for decentralised solar systems like solar pumps, solar lights and EPC Contracts for rooftop installations. The company has an order book of Rs.76.98 crore as on March 16, 2020. Furthermore, Total order book comprises of around 40% of FY2019 revenues providing a short-term revenue visibility

- **Stable operating performance though moderation expected in FY20**

The total operating income of the company increased by CAGR of ~6% over the past three fiscals ending FY19 with a y-o-y growth of ~7.5% mostly driven by repeat orders from existing customers and addition of few new customers for its solar EPC business. The profit margins of the company remained satisfactory with the EBITDA margin in the range of 13.43%-14.66% and the PAT margin in the range of 8.06-8.98% during FY17-FY19. With healthy profitability, the company has earned healthy gross cash accruals over the years. However, the scale of business is expected to be moderated in FY20 due to impact of restrictions in imports resulting from Covid 19 and limited order flow from the government. During 11MFY20, the company has achieved a total operating income of ~ Rs.116 crore.

- **Comfortable financial risk profile marked by comfortable capital structure and healthy debt protection metrics**

The company has comfortable capital structure marked by low long-term debt in its capital structure and lower dependence on external borrowings. The overall gearing ratio stood at 0.25 times as on March 31, 2019 (0.37 times as on March 31, 2018). Total indebtedness marked by TOL/TNW also remained comfortable at 0.93x as on March 31, 2019. The debt protection metrics of the company remained healthy marked by its strong interest coverage ratio and Total debt to GCA. Further, reduced debt level driven by scheduled repayments of term debt along with moderate utilization of working capital debt led to gradual improvement in both debt coverage indicators and return ratios. The financial risk profile is expected to



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remain comfortable over the near to medium term in absence of major debt-funded capex plans and conservative capital structure.

- **Favourable demand outlook for Solar Modules**

The demand outlook for solar modules remains favourable supported by improved tariff competitiveness as compared to conventional energy sources and policy support from Government of India. Further, the government is focused on improving the domestic solar module manufacturing capacity.

### Key Rating Weaknesses

- **Uncertainty of imports from China due to Covid-19**

GSPL imports majority of its raw materials from China. Due to current Covid-19 pandemic scenario, there have been restrictions imposed by the government on the imports. Continuity of such restrictions will have an impact on the sales of the GSPL.

- **Tender driven nature of operation with high competition from large domestic and overseas players**

GSPL has been engaged majorly into tender driven business concerning manufacturing, supply and installation of solar PV modules for which the company has required technical capability and execution record. No significant investment or expertise is required for the system integration work carried out by GSPL, which results in low entry barriers in the business. Hence, the company faces high competition from large domestic and Chinese module manufacturers having a better cost structure due to their large scale of operations and relatively longer track record in module manufacturing.

- **Vulnerability of profitability to adverse fluctuation in raw material prices**

As majority of the raw materials for the module manufacturing are imported, the profitability of the company remains exposed to fluctuations in raw material prices. However, the risk is mitigated to some extent given the relatively short cycle from order to delivery. Although, the profitability indicators remain exposed to volatility and linkage between price movement of solar cells and modules, as it constitutes major cost in the production.



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- **Revenue concentration risk**

Top 10 clientele of the company caters around 73% of its FY19 revenue indicating a moderate revenue concentration risk for the company.

- **Working capital intensive nature of operations with elongation in operating cycle**

GSPL's operations are working-capital intensive as counter parties mainly being government agencies/departments the receivables days of the company also remains elongated owing to procedural delays. The average collection days remains high at 77 days whereas inventory days stood at 20 days for FY19. The operating cycle of the company remained elongated at around 69 days in FY19. However, the average working capital utilisation remained moderate at ~71% in the trailing 12 months ended February 2020. Going forward, effective management of working capital and early realisation of receivables is a key rating monitorable.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity: Adequate**

The liquidity ratios of the company remained healthy with the current ratio at 2.20x and the quick ratio at 1.93x as on March 31, 2019. With negligible debt repayment obligations in the near term and expected satisfactory cash accruals the liquidity position is expected to remain adequate in the near to medium term. Further, the company has sufficient gearing headroom due to its comfortable capital structure. Moreover, GSPL's utilization of the bank limits was satisfactory at around ~71% over the last 12 months ended on February 2020, indicating a satisfactory liquidity buffer. Moreover, the company has no debt avilment plan in the near term, which imparts further comfort.



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### About the Company

Gautam Solar Pvt Ltd (GSPL) was incorporated in the name of 'Gautam Polymers' in 1993, by Mr. Brij Kishore Mohanka. In 2014, the name was rechristened to 'Gautam Solar Pvt Ltd' and the constitution of the company was reconstituted as a private limited company. GSPL is engaged in manufacturing of solar panel, Lithium Ferrous Battery, solar lights and structures. It also undertakes turnkey contracts for Decentralised solar systems like solar pumps, solar lights and EPC Contracts for rooftop installations. The company has cumulative experience of more than two decades in the solar industry and has more than 9MW solar power projects under execution and maintenance.

### Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2018	31-03-2019
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	180.39	194.04
EBITDA	25.00	26.06
PAT	14.57	17.46
Total Debt	21.82	18.88
Tangible Net worth^	61.01	78.63
EBITDA Margin (%)	13.86	13.43
PAT Margin (%)	8.06	8.98
Overall Gearing Ratio (x)^	0.37	0.25

\*classification as per Infomerics standard

^ Loan from directors, related parties and group companies has been treated as Quasi-equity (Rs.2.68 crore as on March 31,2019 and Rs.2.53 crore as on March 31,2018)

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	18.00	IVR BBB- /Stable Outlook	-	-	-



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2.	Bank Guarantee	Short Term	52.00	IVR A3	-	-	-
3.	Letter of Credit	Short Term	2.55	IVR A3			

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	18.00	IVR BBB/Stable
Short Term Bank Facilities – Bank Guarantee	-	-	-	52.00	IVR A3
Short Term Bank Facilities – Letter of Credit	-	-	-	2.55	IVR A3