



## Press Release

**GK Energy Marketers Private Limited**

**November 21, 2023**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	31.98	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Short Term Bank Facilities	7.50	IVR A3 [IVR A Three]	Assigned	Simple
<b>Total</b>	<b>39.48</b> <b>(Rupees Thirty-Nine Crore and Forty-Eight Lakhs Only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of GK Energy Marketers Private Limited (GKEMPL) derives strength from its strong business profile driven by experienced promoter with long track record of operation, proven project execution capability and improvement in business performance in FY23. However, these rating strengths remain partially offset by working capital-intensive nature of its operation and concentrated revenue risk.

### Key Rating Sensitivities:

#### Upward Factors

- Substantial and sustained improvement in revenue & profitability leading to overall improvement in debt protection metrics.

#### Downward Factor

- Any delays in execution of projects leading to a decline in revenue and/or overall decline in profitability leading to deterioration in debt protection metrics.



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- Any increase in working capital cycle leads to deterioration in liquidity.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced Promoters, Long track record and strong execution capabilities**

GKEMPL was established in 2008 and has been engaged in the assembly and installation of solar energy products. Mr. Gopal Kabra, the Managing Director, has more than 15 years of diverse experience in the industry.

- **Strong Order Book, Strong Entry barriers and budgetary support of the Central Government**

GKEMPL maintains strong connections with well-regarded clients and boasts a healthy order backlog. GKEMPL derives majority of its revenue from installation solar pumps under PM-KUSUM Scheme funded by central government. . Currently, GKEMPL holds an order book of approximately Rs. 844.87 crores of which ~Rs.782.60 crores belong to Maharashtra. And rest belongs to Chhattisgarh and Uttar Pradesh.

- **Dominant revenue source tied to multi-Year government scheme**

In the FY23, the company's recorded revenue of Rs.285.03 crore (300% growth as compared to FY22), led by execution of orders. During H1 FY24 (from April 01 to September 30), the company has already achieved a revenue of Rs.176.07 crore. This growth is primarily attributed to an increase in orders and successful execution under the PM-KUSUM scheme. The company's revenue is closely tied to orders received under the PM-KUSUM scheme, which is expected to continue until FY26

#### Key Rating Weaknesses

- **Elongated working capital and adequate liquidity**

The total operating income of the company in FY23 has significantly increased due to the majority of its revenue coming through tender-based contracts under the PM-KUSUM Scheme. However, since most of its income from government agency execution and



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billing of such orders takes time, it leads to high working capital utilization. While there has been an improvement, the gross current assets days were still relatively high at 175 days in FY23, compared to 329 days in the previous year. The working capital needs are partially financed through cash credit and credit obtained from suppliers.

- **Modest profitability associated with the inherent risk of input**

The profitability margins of the firm remained moderate with EBITDA margins remained in the range of 6%-9% and PAT margins in the range of 3.01% - 3.51% respectively for the last three years ended FY23. The EBITDA margin declined by 112 bps to 6.00% in FY23 mainly on account of proportionate decrease in its sale of service of its total revenue from 5.09% in FY22 to 0.29% in FY23 of its total revenue. Further the company profitability remains highly volatile in the absence of price escalation clause in the contracts, and intense competition.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

**Liquidity – Adequate**

GKEMPL's is expected to maintain a adequate liquidity profile, as its projected cash accrual for FY24-FY26 is estimated to be around Rs. 23-55 crore, which should comfortably cover its debt repayments ranging from Rs.1.51 crore to Rs.0.94 crore in FY24 to FY26. The company has modest cash & bank balance of Rs. 0.54 crore as on September 30, 2023. The cash credit utilization stood at 70.41% during last twelve months ended September 30, 2023. The unutilized bank lines and promoter's support in terms of unsecured loans provide additional liquidity cushion.



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### About the Company

GK Energy Marketers Pvt Ltd (GKEMPL) are pioneer in manufacturing and system integrator of Renewable energy products, Solar Power, Energy Efficiency product & projects. GKEMPL is one of the largest bidders for Tenders floated by various Government Agencies, State Nodal Agencies, DISCOMS, etc. Current Tenders are being floated under the flagship scheme launched by our Honourable Prime Minister in name of PM KUSUM to support farmers and increase the income of the farmers by providing the Pumping System to meet the water demand for agricultural purpose. Till date company has successfully installed more than 10000 pumps in State of Maharashtra, Chhattisgarh, Haryana, Punjab. Currently company is having orders in hand and work in progress for installation of more than 5000 pumps in the state of Maharashtra and Haryana for which orders are already received and working is in progress.

### Financials (Standalone)\*:

	(Rs. Crore)	
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	70.44	285.03
EBITDA	5.01	17.10
PAT	1.49	10.02
Total Debt	17.72	36.15
Tangible Net worth	13.08	23.83
EBITDA Margin (%)	7.12	6.00
PAT Margin (%)	2.11	3.51
Overall Gearing Ratio (times)	1.35	1.52

*\*Classification as per Infomerics standards*

**Status of non-cooperation with previous CRA: Not available**

**Any other information: None**



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### Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
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1.	Fund Based – Term Loan	Long Term	4.48	IVR BBB- / Stable	–	–	–
2.	Fund Based – Cash credit	Long Term	27.50	IVR BBB- / Stable	–	–	–
3.	Non Fund Based – Bank Guarantee	Short Term	7.50	IVR A3	–	–	–

### Name and Contact Details of the Rating Director:

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit



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ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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
Fund Based – Term Loan	–	–	July 2024	0.23	IVR BBB- / Stable
Fund Based – Term Loan	–	–	November 2026	4.25	IVR BBB- / Stable
Fund Based – Cash credit	–	–	–	27.50	IVR BBB- / Stable
Non Fund Based – Bank Guarantee	–	–	–	7.50	IVR A3

### Annexure 2: List of companies considered for consolidated analysis: Not Applicable





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**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-gk-nov23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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).

