



Rating Rationale

22 Sept 2020

Goldi Solar Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 80.10 Crores of Goldi Solar Pvt. Ltd. (hereinafter referred as “GSPL” or the “Company”)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (February 2019)	Present
Fund based	31.68	33.70	Long Term	BWR BBB (Stable)	BWR BBB (Stable) Reaffirmation
Non Fund Based	17.00	47.00	Short Term	BWR A3+	BWR A3+ Reaffirmation
Total	48.68	80.10	INR Eighty Crores and Ten Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION/OUTLOOK:

The ratings reaffirmation continues to factor long standing operational track record with established brand name, strong operating capabilities of the company in implementation of the solar module projects, moderate financial risk profile with adequate liquidity position and favourable demand outlook for solar energy and domestic production of solar modules. However, the rating is constrained by thin profit margins, susceptibility of profits to volatility in prices, foreign exchange fluctuations, intense competition in industry especially from imports and working capital intensive operations.

Brickwork has taken note of the impact of the outbreak of Coronavirus on the performance of the company during the first quarter of FY21. GSPL has availed COVID-19 regulatory package and emergency line of credit extended by Banks as per the Reserve Bank of India (RBI) relief measure to mitigate the burden of debt servicing due to disruptions on account of the pandemic and to ensure the continuity of business.

BWR believes the business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of a rating change over the medium term.



KEY RATING DRIVERS

Credit Strengths:

- **Established presence in Solar industry:** GSPL is an established player in the solar module manufacturing sector with experience of over two decades. Promoters of the company belong to Surat based “ Shree Ramkrishna” group, known for diamond manufacturing and exporting company.
- **Ranked as “Bankable Tier-1” by Bloomberg New Energy Finance (BNEF):** In February, 2020, the company became one of four Indian Companies, which are ranked as ‘Bankable Tier 1’ solar module makers by the Bloomberg New Energy Finance (BNEF). The listing will attract new customers for high-quality solar modules worldwide and increased recognition in domestic as well as international markets.
- **Increased capacity utilization and sales in FY20 lead to increase in scale of operations** – The module production and revenue level has increased in FY19 and FY20, primarily driven by an increase in the sales volume and healthy order book. The company has installed a capacity of 500 MW at present. Major project at Tamilnadu from AMPL Cleantech Pvt Ltd. (Atha Group) also supported the operational growth. Total operating income (TOI) is Rs. 397.31 Crs in FY20 against Rs. 281.01 Crs in FY19, an increase of 41%. The realisations of modules continued to decline, whereas the turnover continued to increase, primarily on account of rise in the volumes of solar modules and healthy capacity utilization. On the positive side, BWR notes that the long-term demand outlook for the solar module industry remains favourable, given the Government of India’s thrust on developing renewable energy.
- **Moderate financial risk profile:** The financial risk profile is marked by moderate gearing levels, adequate liquidity position and comfortable debt protection metrics. However, Tangible net worth is relatively low at Rs.40.09 Crs. Debt/TNW is 1.31x in FY20 & 1.21x in FY19. The marginal increase in gearing is mainly attributed to the increase in utilization of short term borrowings. Also, the overall gearing level marked by TOL/TNW has reduced from 1.89x in FY19 to 1.71x in FY20. Furthermore, interest burden increased in FY20, though the debt protection metrics remained comfortable with DSCR and ISCR at 1.42x and 2.18x in FY20.

Credit risks:

- **Vulnerable Profit margins due to fluctuation in module prices and foreign exchange rate** – Operating profit margins are 5.36% and 6.49% in FY19 & FY20 respectively and net profit margins are stable at 1.49% due to high interest cost in the last two fiscals. GSPL’s 50%-60% of the raw material for the module manufacturing are imported from Canada, Singapore & China. Off late, the prices of solar cells and solar modules have



been volatile. Hence, the profitability of the company remains exposed to fluctuations in raw material prices and solar modules. Also, the procurement of imported raw materials carries the risk of forex fluctuation. However, the risk is mitigated by employing hedging mechanisms in options.

- **High working capital intensive business** – High working capital requirement impacts its overall liquidity position as the company. The company’s revenue is generated by way of partial advance or against LC. On the other hand sufficient maintenance of stock at least for 2-3 months to continue a smooth production process and minimal credit from its suppliers resulting in large working capital requirements.
- **Intense competition in the solar module industry** – Existing domestic players have increased the capacity and new entities are entering into the market. Hence, the company faces intense competition from other domestic manufacturers as well as international players.

RATING SENSITIVITIES

The company’s ability to ramp up execution as planned despite the impact of COVID-19 lockdown, diversification of client base and winning new work orders will be the key rating sensitivities.

Positive:

- A healthy increase in operating income and profitability on a sustained basis, along with managing its working capital cycle efficiently, new order flows and infusion of funds.

Negative:

- Lower-than-expected cash flow from operations, negative pressure on margins, deterioration in gearing, debt protection coverage, and mismatch in working capital cycle.

Liquidity : Adequate

The company’s liquidity position improved, with net cash accrual improving from Rs. 7.45 Crs in FY19 to Rs. 11.61 Crs in FY20. The current ratio was comfortable, at 1.35x in FY19 and 1.41x in FY20. Furthermore, the conversion cycle is short at 66 and 55 days in the last two fiscals FY19 and FY20. Average Working capital utilization and non fund based limits was more than 85% of the sanctioned limit in the last six months ending on 31 August 2020. BWR believes that going forward, additional infusion of interest free unsecured loans of Rs. 1.76 Crs in FY20, moratorium benefit of 6 months as notified by RBI and additional emergency funds of Rs. 2.80 Crs will support the liquidity in the near term.



COMPANY PROFILE

Incorporated in 2011, Goldi Solar Pvt Ltd is manufacturing photovoltaic (PV) solar modules/panels ranging between 3 Watt (W) and 395 W using multi crystalline cells and provides engineering, procurement, and construction services. The manufacturing facility is located at Surat, Gujarat with an installed capacity of 500MW. The company is promoted and managed by Mr Ishverbhai Dholakia, and Mr Bharatkumar Bhut. It is ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certified.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY20	FY19
Result Type		Audited	Audited
Operating Income	₹ in Cr	397.31	281.01
EBITDA	₹ in Cr	25.77	15.05
Net Profit	₹ in Cr	5.92	4.20
Tangible net worth	₹ in Cr	40.09	34.17
Debt/Tangible net worth	Times	1.31	1.21
Current Ratio	Times	1.41	1.35

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : CARE Ratings has migrated its ratings of the bank loan facilities of the company to Issuer Not Cooperating* category vide its press release dated 27Mar2020.

Rating History for the last three years (including withdrawn/suspended ratings)

Facilities	Current Rating (2020)*			Rating History		
	Tenure	Amount (₹ Cr)	Rating	20Feb2019	2018	2017
Fund Based	Long Term	33.70	BWR BBB Stable (Reaffirmed)	BWR BBB Stable	Not Rated	Not Rated
Non Fund Based	Short Term	47.00	BWR A3+ (Reaffirmed)	BWR A3+	Not Rated	Not Rated
Total		80.10	INR Eighty Crores and Ten Lakhs Only			

*Rating not reviewed advisory issued on 24th February, 2020.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Goldi Solar Private Limited

ANNEXURE I

Details of Bank Facilities* rated by BWR (₹ Cr)

Type of Facilities	Long Term	Short Term	Total
Fund Based			
Term Loan	1.55	-	
Cash Credit	28.75	-	
Covid emergency line of credit	2.80	-	33.10
Non Fund Based			
Bank Guarantee	-	3.00	
FLC/ILC/LOU/FLG	-	44.00	
ILC/FLC/FLG/BLC/EPC/PCFC	-	(31.00)	
CEL	-	(3.92)	
TOTAL			80.10

Total Eighty Crores and Ten Lakhs Only.



**The Bank facilities are under consortium banking facilities.*

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