

APRIL 11, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF KOSOL HIRAMRUT ENERGIES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities*	6.00	CARE BB (Double B)	Reaffirmed
Short-term Bank Facilities	2.90	CARE A4 (A Four)	Reaffirmed
Long-term/Short-term Bank Facilities	1.27	CARE BB/CARE A4 (Double B/A Four)	Reaffirmed
Total Facilities	10.17 (Rupees Ten crore and Seventeen lakh only)		

*Rating assigned to the term loan facility has been downgraded to CARE D owing to delay in its servicing and subsequently withdrawn as the term loan facility has been fully repaid in December 2015.

Rating Rationale

The ratings continue to be constrained by the modest scale of operations of Kosol Hiramrut Energies Private Limited (KHEPL) and high working-capital intensity of its operations. The ratings are further constrained by KHEPL's inability to scale up operations of its photovoltaic (PV) module manufacturing unit, reduction in its profitability margins leading to net losses in FY15 (refers to the period April 1 to March 31) & 10MFY16 and its presence in a highly fragmented and competitive solar energy industry.

The ratings, however, derive comfort from its experienced promoters, strong parentage and demonstrated support of Kalthia Group of Ahmedabad and its established operations in the domestic solar water heater market with a well-known brand.

KHEPL's ability to scale up its operations through optimum utilisation of its PV unit, improve its profitability and effectively manage its working capital requirements are the key rating sensitivities.

Background

Ahmedabad-based KHEPL was originally incorporated as a partnership concern, M/s. Hiramrut Solar Energy, in the year 2001 and was converted into private limited company during 2005. Further, Kalthia family of Ahmedabad acquired 100% stake in KHEPL in FY12 and as on March 31, 2015, Kalthia Engineering and Construction Limited (KECL, rated CARE A-/CARE A2+) holds 36.57% and Kalthia Infracon Private Limited [KICPL; rated CARE A-(SO)] holds 37.46% stake in the company. KHEPL manufactures thermal-based solar products and has an installed manufacturing capacity of 54.75 lakh litres per annum for Solar Water Heater (SWH) and a solar module facility with an installed capacity of 25 Mega Watt (MW) as on March 31, 2015.

During FY15, KHEPL reported a net loss of Rs.3.41 crore on a total operating income (TOI) of Rs.23.38 crore as against a profit after tax of Rs.0.07 crore on a TOI of Rs.21.33 crore during FY14. As per provisional results of 10MFY16, KHEPL reported TOI of Rs.16.72 and net loss of Rs.1.06 crore.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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