Greenesol Power Systems Private Limited

December 02, 2022

Ratings

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	1.50	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	34.00 (Enhanced from 29.50)	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable/ A Three)	Reaffirmed
Total Bank Facilities	**35.50 (₹ Thirty-Five Crore and Fifty Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings assigned to the bank facilities of Greenesol Power Systems Private Limited (GPSPL) continues to derive strength from experienced promoters, long track record of operations, technical support from its Chinese shareholder viz. Hangzhou Steam Turbine Power Group Co. Ltd, comfortable solvency position with adequate liquidity. However, the rating strengths are partially offset by small albeit improved total operating income in FY22 (Provisional) (FY refers to period between April 01 and March 31), low profitability, moderate and concentrated order book position, elongated collection period, and regulated and competitive nature of business.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- ✓ Growth in the scale of operation with TOI increasing above ₹ 200 crore while maintain PBILDT margin of 5%, on a sustained basis.
- ✓ Improvement in average collection period to below ~90 days on a sustained basis

Negative Factors- Factors that could lead to negative rating action/downgrade:

- × Any further elongation in the collection period above 195 days thereby impacting the liquidity profile of the company
- × Any significant decline in the revenue, going forward

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and qualified promoters

Greenesol Power Systems Private Limited is jointly promoted by Mr. Sivaram Prasad Jetty, Mr. Sridhar Nambi and Mrs Shanti Jetty. Mr. Sivaram Prasad (managing director and chairman) has around three decades of experience across industries like power, cement, sugar etc. He is a qualified chartered accountant and holds directorship in other companies like Keerthi Industries Limited and HMG Power Systems Private Limited. Mr. Sridhar Nambi, (CEO and director) of GPSPL is an engineering graduate with more than three decades of experience in the power sector.

Long track record of operations

Since inception in 2003, GPSPL has been in the business of executing capex projects for captive power plant on Engineering Procurement and Construction (EPC) basis. The major services offered by the company are designing the layout and machinery required for power plant i.e., boilers, turbines, generators, and other related ancillary equipment. GPSPL in association with Hangzhou Steam Turbine Power Group Co. Ltd, China started offering Boilers, Electro Static Precipitators (ESP), Distributed Control System (DCS), Air Cooled Condensers (ACC) and Transformers.

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[1]Complete definitions of the ratings assigned are available at HYPERLINK "http://www.careedge.in" www.careedge.in and in other CARE Ratings Ltd.'s publications.

Support from Hangzhou Steam Turbine Power Group Co. Ltd (HTC)
HTC is one of the leading turbine manufacturers in China, GPSPL benefits from the business support extended by HTC to serve its clients and to remain competitive by offering better technology along with installation and after sales support. With operational support from HTC, GPSPL now can cater to various industries by executing power generation projects for cogeneration plants, captive power plants, independent power plants and other industries where turbines are primarily used. Furthermore, turbines for all the projects up to 150MW which are undertaken by the GPSPL are provided by HTC. Being a stake holder (36%) in GPSPL, HTC's competitive pricing and technical expertise provides an additional advantage to GPSPL.

Comfortable leverage and coverage indicators
The debt profile of the company comprises majorly non-fund-based limits, the company does not have any term debt and has no reliance on fund based working capital lines. The overall gearing of the company continues to be comfortable as on March 31, 2022 (Provisional), due to absence of debt coupled with a net worth base of ₹ 65.57 crore on a balance sheet size of ₹ 112.90 crore. Furthermore, the total Debt/GCA and interest coverage remained satisfactory at 0.30x and 10.47x respectively in FY22 owing to lower debt levels and subsequently lower interest cost during the year.

Stable industry outlook for power (waste-to-energy)
The increasing urbanization, industrialization, and changes in the pattern of life have given rise to a generation of increasing quantities of waste. In recent years, waste to energy technologies have been developed that not only help generate a substantial quantity of decentralized energy but also reduce the amount of trash for its safe disposal. Increasing energy demand as countries shift from coal to renewable energy is increasing the demand for Waste to energy generation. Efficient waste recovery, electricity generation and other biogases will minimize the environmental impact of modern WTE plants and offer significant carbon dioxide (CO2) savings. The Indian government has identified waste to energy as a renewable (clean Energy) technology and is supporting it with different subsidies and incentives. The Ministry of New and Renewable Energy (MNRE) is actively promoting all viable technologies for energy recovery from municipal and industrial wastes.

Key Rating Weaknesses

Moderate and concentrated order book position
The order book position of the company remained moderate and stood at ₹ 162.32 crore as on September 30, 2022 on account of economy recovery phase in the post second wave COVID-19 pandemic situation. The impact of both first as well as second covid wave was severe on GPSPL as many companies postponed or cancelled their capex plans. Accordingly, the order book remained relatively small. Furthermore, the orderbook remains concentrated with one single group client contributing to 56% of the outstanding orders. Nevertheless, the company has healthy orders in pipeline which are into technical clearances phase, and if it is awarded in favor of GPSPL, it is likely to provide steady revenue, going forward.

Small scale of operation albeit improved TOI during FY22 with low profitability
During FY22, the company clocked a total operating income of ₹ 75.45 crore representing a growth of 44% over FY21 owing to execution of old and new EPC work orders. PBILDT margin for the company deteriorated and continued to remain thin 3.83% in FY22 as against 7.30% in FY21 mainly due to steep rise in input cost.

Elongated collection period
The core business operation of GPSPL is designing, construction and setting up of power plants. The inherent nature of industry is longer gestation period, wherein the time taken to finish a project depends on the scale and geographical location of the project site. This results in longer collection period. As on March 31, 2022 the average collection period remain inline at 191 days as against 195 days as on March 31, 2021, the company however receives adequate support from its creditors which helps it to maintain a comfortable operating cycle and limited reliance on working capital limits.

Exposure to foreign exchange fluctuations and government regulations
GPSPL had partnered with various state-owned Chinese players to provide services to its customers. Recently Government of India (GOI) had taken various measure and implemented many policies with respect to trade with Chinese counter parts. Any future adverse announcement/policy changes from both the countries i.e. India and China would be having a major impact on both the operations and profitability of the company. Further, the company is also exposed to foreign exchange fluctuation risk on account of dealing with purchase of turbines and other parts from Chinese partners. However, management confirmed that current border tension of India-China has no impact on the operations of the company.

Liquidity- Adequate
Liquidity position of the company is adequate with an unencumbered cash and bank balance of ₹ 11.27 crore as on March 31, 2022. The cash accruals are sufficient, and the company has no term debt repayments obligations. Current ratio of the company improved to 1.76x as on March 31, 2022 (1.61x as on March 31, 2021). The company's OD limit continues to remain unutilized.

Analytical approach: Standalone

Applicable Criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies
Construction

About the Company
Greenesol Power Systems Pvt Ltd (GPSPL), incorporated in the year 2003, is jointly promoted by Mr. Siva Ram Prasad Jetty, Mr. Sridhar Nambi and Hangzhou Steam Turbine Power Group Co. Ltd. China (HTC), who continue to hold 42.40%, 9.38% and 35.62%, stake, respectively in the company as on March 31, 2022. HTC was promoted in the year 1948 and is one of the largest turbine manufacturers (up to 150 MW capacities) in China. GPSPL is engaged in EPC contracting business for setting up captive power plants.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (Prov.)	H1FY23 (Prov.)
Total operating income	52.26	75.45	46.61
PBILDT	3.82	2.89	2.87
PAT	1.48	0.89	NA
Overall gearing (times)	0.01	0.01	NA
Interest coverage (times)	7.66	10.47	NA

A: Audited, Prov: Provisional, NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	1.50	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	34.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	34.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (22-Nov-22)	1)CARE BBB-; Stable / CARE A3 (07-Dec-21)	1)CARE BBB-; Stable / CARE A3 (08-Feb-21)	1)CARE BBB-; Stable / CARE A3 (19-Dec-19)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)CARE BBB-; Stable (19-Dec-19)
3	Fund-based - LT-Bank Overdraft	LT	1.50	CARE BBB-; Stable	1)CARE BBB-; Stable (22-Nov-22)	1)CARE BBB-; Stable (07-Dec-21)	1)CARE BBB-; Stable (08-Feb-21)	1)CARE BBB-; Stable (19-Dec-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications

Contact us

Media Contact
Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact
Name: Nivedita Anirudh Ghayal
Contact no.: 9908090944
Email ID: nivedita.ghayal@careedge.in

Relationship Contact
Name: Ramesh Bob Asineparthi
Contact no.: +91 90520 00521
Email ID: ramesh.bob@careedge.in

About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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