Solarworld Energy Solutions Private Limited

April 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating Issuer Rating	0.00	CARE BBB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The Issuer rating assigned to Solarworld Energy Solutions Private Limited (SESPL) derive strength from the growing scale of operations of the company along with moderate profitability margins supported by its healthy order book position. The rating is further strengthened by the resourcefulness and experience of the promoters of the company as reflected by its association with a reputed clientele. The rating also draws comfort from the adequate liquidity position of the company marked by healthy cash and bank balance. The rating strengths are however offset by the company's moderate financial risk profile along with a low net worth base, which, however, has shown considerable improvement in FY24 (refers to the period from April 01, 2023, to March 31, 2024) owing to the growth in scale of operations of the company with healthy profitability resulting in accretion of profits to net worth. The rating is further constrained by the company's presence in fragmented and competitive industry with limited bargaining power, and customer concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in scale of operations with TOI of more than Rs. 650 crores with PBILDT margin of more than 12% on a sustained basis.
- Improvement in the capital structure of the entity with overall gearing below 0.75x on sustained basis.

Negative factors

- Decline in TOI below Rs.300 crore or PBILDT margin falling below 9% on sustained basis
- Deterioration in overall gearing beyond 2.50x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall benefit from the experience of its promoters and its association with reputed clientele as reflected by its healthy order book position.

Detailed description of the key rating drivers:

Key strengths

Growth in scale of operations and moderate profitability

The Total operating income of SESPL has grown from Rs. 28.54 crores in FY22 (refers to the period from April 01, 2021, to March 31, 2022) to Rs. 236.78 crores in FY23(refers to the period from April 01, 2022, to March 31, 2023). The substantial growth in scale of operations is on account of successful and timely execution of orders in hand in FY23. SESPL generated revenue largely from two segments i.e., revenue from the sale of power generating systems (EPC of solar power plants) (97% of the total revenue), and revenue from operations and maintenance of solar power plants (3% of the total revenue). The PBILDT and PAT

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

margin stood moderate at 9.48% and 5.89% respectively in FY23, as compared to 13.87% and 3.96% respectively in FY22. Consequently, the GCA of the company grew to Rs. 14.15 crores during, as compared to Rs. 1.31 crore in the previous fiscal. Further, the company has reported healthy growth in scale of operations and has achieved a TOI of Rs. 514.27 crores as on December 31, 2023, along with a PBILDT margin of around 13-14%. The company expects to close FY24(refers to the period April 01, 2023, to March 31, 2024) with a TOI of around Rs. 590-600 crores.

Healthy order book albeit geographical concentration:
SESPL's order book remains healthy at Rs. 1155.90 crores as on October 31, 2023, out of which the revenue to be recognised by March 31, 2024, stands at Rs. 87.87 crores. The order book to Total Operating income (basis TOI of FY23) stands at 4.88x. However, the operations of SESPL are geographically concentrated to the states of Uttar Pradesh and Gujrat, thereby exposing the company to any regulatory risks revolving around solar EPC projects in these two particular states.

Reputed clientele albeit revenue concentration risk:
All the order received by Solarworld Energy Solutions Private limited are from reputed clientele which includes SJVN Limited (rated CARE AA+; Stable/ CARE A1+), (Haldiram Snacks Private Limited, Stayapal Dharampal limited etc, which translates into low counterparty risk. However, despite having a reputed clientele, the entity faces a risk of revenue concentration since majority of the orders received from FY21 to FY23 have been from a single player. For example, Haldiram Snacks Private limited accounted for 88% of the total revenue realised in FY21, SJVN green energy limited accounted for 77% and 88% of the total revenue generated in FY22 and FY23 respectively. However, the company is now looking to diversify its clientele and has also bid for projects from NTPC Limited.

Experienced and resourceful promoters
SESPL is promoted by Mr. Kartik Teltia, who possesses more than one decade of experience in solar industry. He is responsible for strategy and planning and the finance division of the company. Furthermore, he is ably supported by Mr. Rishabh Jain, co-promoter, and a team of experienced professionals, forming a strong second line of management for project execution. The in-house team has an expertise in both, the rooftop segment as well as the Ground mounted segment (through execution of turnkey projects).

Key weaknesses
Moderate financial risk profile
The capital structure of the company remained leveraged as marked by an overall gearing ratio of 3.32x and an adjusted overall gearing ratio of 4.13x as on March 31, 2023, as compared to 9.61x and 31.44x respectively as on March 31, 2022. The gearing remained on slightly higher side albeit improving substantially over the years because of the higher working capital requirements of the company to support the growth scale of operations. However, the overall gearing has further improved to 0.90x as on January 31, 2024, on the back of improved net worth base supported by accretion of profits owing to healthy profitability in 10MFY24 (refers to the period April 01, 2023 to January 31, 2024). Going forward, in absence of any incremental debt envisaged and the overall gearing of the company is expected to remain below unity. The Interest coverage ratio and Total Debt/PBILDT remained moderate at 3.63 times and 2.87 times respectively in FY23, improving from 0.91 times and 13.21 times respectively in the previous fiscal.

Business risk associated with tender-based orders
The company undertakes solar projects, which are awarded through the tender-based system. The company is exposed to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Further, any changes in the government policy or private spending on projects are likely to affect the revenues of the company.

Presence in fragmented and competitive industry
The industry is fragmented, and the company faces competition from several established players. Its competitors include various large industry players like Vikram Solar, TATA Power, Rays Power Infra Limited etc and other EPC arms of several solar panel

manufacturers. It also faces competition from several smaller players, who provide O&M services to solar power projects. Further, with increasing growth opportunities for solar energy sector due to government support/incentives, more players are entering the industry thereby increasing competition.

Liquidity: Adequate

The liquidity profile of the company stood adequate marked by expected gross cash accruals of approximately Rs. 54 crores as against debt obligations of Rs.0.92 crores. The cash and bank balance as on December 31, 2023, stood at Rs. 22.51 crores. The current ratio and quick ratio stood at 1.13x and 0.76x respectively as on March 31, 2023, as compared to 1.00x and 0.97x respectively as on March 31, 2022. However, working capital limits of the company remined fully utilised which is primarily due to drawing down of the entire amount through WCDL while maintaining a positive balance of Rs. 5.12 as of February 28, 2024, in its current account.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Manufacturing Companies
Solar Power Projects

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

Solarworld Energy Solutions Private Limited was set up in July 2013. The company is primarily engaged in Engineering Procurement and Commissioning of Solar Power Projects in India. These projects range from 100 Kw to Several hundred Mw. The company has completed projects for reputed companies such as SJVN Limited, Haldiram's Snacks Private Limited, Moon Beverages Limited etc.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	28.54	236.78	514.27
PBILDT	3.96	22.44	76.67
PAT	1.13	13.94	54.87
Overall gearing (times)	9.61	3.32	0.95
Interest coverage (times)	0.91	3.66	20.50

A: Audited UA: Unaudited; Note: 'the above results are latest financial results 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE BBB-; Stable

Annexure-2: Rating history for the 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE BBB-; Stable	-	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated: Not Applicable

Annexure-5: Lender details: Not Applicable

Note on the 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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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