Gensol Engineering Limited

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	15.00	CARE BB+; Stable	Assigned
Long Term Bank Facilities	624.70 (Enhanced from 250.10)	CARE BB+; Stable	Revised from CARE BB; Stable
Long Term / Short Term Bank Facilities	25.00	CARE BB+; Stable / CARE A4+	Assigned
Long Term / Short Term Bank Facilities	51.30	CARE BB+; Stable / CARE A4+	Revised from CARE BB; Stable / CARE A4+
Long Term / Short Term Bank Facilities	-	-	Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Gensol Engineering Limited (GEL) factors in demonstration of strong execution capability of solar power projects on engineering, procurement and construction (EPC) basis resulting in significant growth in its total operating income (TOI) during FY23 (FY refers to the period April 01 to March 31) and FY24 along with improvement in profitability and growth in its orderbook, providing strong revenue visibility in FY25-FY26. The revision also factors scaling up of Electric Vehicle (EV) leasing business in FY24 with a track record of timely receipt of lease rentals from Blu-Smart Mobility Private Limited (Blu-Smart).

The ratings, however, remains constrained on account of susceptibility of its profitability to volatility in solar module prices. The ratings also factor deterioration in the capital structure of the group owing to significant increase in total debt consequent to its foray in electric vehicle (EV) leasing segment and execution and funding risk associated with ongoing EV manufacturing plant.

The above ratings, however, derive strength from experienced promoters of the Gensol group, healthy and geographically diversified solar EPC orderbook from reputed clientele, structured lease rental agreement with Blu-Smart and its adequate liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in overall gearing of the company below 2x on a sustained basis
- Scaling up of operations of each segment resulting in a diversified revenue stream alongwith achievement of envisaged profitability from each segment

Negative factors

- Non-receipt of timely lease rental payment from Blu-Smart Mobility Private Limited, resulting into liquidity stress on other business segments
- Deterioration in overall gearing above 3.75x on a sustained basis
- Deterioration in the profit before interest, lease rentals, depreciation and taxation (PBILDT) margins from EPC operations below 8% on a sustained basis

Analytical approach: Consolidated (List of subsidiaries consolidated in GEL is placed in Annexure-6)

Outlook: Stable

Stable outlook reflects CARE Ratings Limited (CARE Ratings) expectations of continuous growth in GEL's EPC operations backed by its healthy orderbook position and liquidity cushion available in the form of structured lease agreement with Blu-Smart for its EV leasing business.

Detailed description of the key rating drivers:

Growing scale of EPC operations along with increase in revenue from EV leasing business

GEL's TOI grew by 145% y-o-y to Rs.393 crore during FY23 on a consolidated basis driven by healthy scaling up of EPC business along with increasing revenue from EV leasing business. GEL's TOI comprised majorly from two segments during FY23 i.e. income

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

from solar EPC services (84%) and EV leasing business (9%) and balance (7%) accounted for solar O&M services and gas trading income.

During 9MFY24, GEL reported a TOI of around Rs.564 crore, wherein solar EPC business continued to contribute around 80% of the TOI, followed by EV leasing business (16%) and balance 4% from other segments. However, the revenue mix of the company is expected to change significantly from FY25 onwards owing to scaling up of trackers for solar power plants under Scorpius Trackers Private Limited (STPL) and commencement of commercial operations of its EVs under Gensol Electric Vehicles Private Limited (GEVPL) from H2FY25 and incremental revenue from EV leasing business owing to significant addition in fleet of assets for leasing it to Blu-Smart.

As per press release publication on BSE, GEL, on consolidated basis, has reported TOI of Rs.960 crore for FY24.

Healthy orderbook from reputed clientele base

As on February 28, 2024, GEL had solar EPC orderbook of Rs.1176 crore, translating into orderbook/ EPC income of 3.57x of FY23 TOI. The EPC contracts awarded to the company are fixed price contracts to be executed in a timeframe of 6-10 months. This apart, GEL has been declared as a lowest bidder for contract of Rs.520 crore in March 2024. Furthermore, GEL's order book is majorly from government entities and other reputed private players across more than seven states, which translates into a low counterparty credit risk for the company.

Key weaknesses

Leveraged capital structure, albeit the net banking exposure towards the EPC business remains moderate

GEL's capital structure deteriorated as on March 31, 2023 marked by overall gearing of 2.10x (FY22 end: 1.78x). The deterioration in the credit profile is attributable to significant debt-funded acquisition of EVs for leasing to Blu-Smart. The debt coverage indicators marked by TD/ Gross cash accruals (GCA) also deteriorated to 11.40x during FY23 (PY:5.57x) owing to increase in total debt. PBILDT interest coverage remained moderate at 3.47x (PY: 3.49x) during FY23.

The overall gearing, on consolidated basis, is expected to deteriorate further as on March 31, 2024 owing to its increase in debt-funded acquisition for its leasing business along with reliance on bank borrowings to fund incremental working capital requirements for its EPC business. The working capital borrowings of the company for its EPC business has increased to Rs.114.26 crore as on December 31, 2023 from Rs.24.50 crore as on March 31, 2023.

Delay in commencement of EV manufacturing operations

GEL is setting up an EV manufacturing plant in Pune to produce Electric Cars and Electric Urban Cargo vehicles with an installed capacity of 40 units per day per shift. The commercial operations of the plant was expected to commence by Q2FY24, however the same got delayed by more than a year owing to delay in receipt of approval from Automotive Research Association of India (ARAI). The total cost of the project is expected to be around Rs.228.54 crore (Rs.210 crore considered during last review) and is now projected to be funded by debt : equity ratio of 0.22:1, as against the ratio of 1.33:1 envisaged earlier.

Till February 28, 2024, GEL has already invested around Rs.125 crore towards establishment of the plant and with receipt of ARAI approval in February 2024, the project is expected to commence commercial operations from H2FY25.

Nevertheless, GEL is yet to achieve financial closure for the project debt. Hence, completion of the project within envisaged cost and time parameters and its scaling up shall remain crucial from credit perspective. Moreover, support required till the project achieves break even shall remain key monitorable.

Key strengths

Strong resource raising capability of the promoters

GEL is founded by Mr. Anmol Singh Jaggi and his brother Mr. Puneet Jaggi, who have more than a decade of experience in the solar EPC industry. Further, the top management is assisted by a team of well qualified and experienced professionals having long standing exposure in the same industry.

Further, the promoters have demonstrated their capability to raise funds from the investors and have raised Rs.132.85 crore via preferential allotment during H1FY23 and also proposes to raise around Rs.500 crore through issue of share warrants during FY25.

Improvement in profitability margin

The PBILDT margin of the company improved significantly by 291 bps y-o-y to 14.89% during FY23. The improvement in the operating margin is attributable to higher income from lease rentals from Blu-Smart, wherein the company does not incur any operational costs. Further during FY24, the operating margins are expected to be in the range of 20% owing to higher lease rental income from Blu-Smart.

Structured lease rental agreement with Blu-Smart for its EV leasing vertical

GEL, Blu-smart and lenders have entered into a tripartite agreement for electric four wheelers (4W) leasing, which is primarily operated by Blu-Smart entities on its ride hailing platform. GEL is acting as a facilitator between the lender and Blu-Smart and equity contribution, DSRA as well debt repayment for the EV will be funded by Blu-Smart. The lease rentals are structured in a way to cover the entire interest and principal repayment obligations during the tenor of the loan, resulting into nil cash outflow from GEL. In Q1FY24, GEL has incorporated a subsidiary Gensol EV Lease Private Limited (GEVLPL), with an object for carrying out EV leasing operations. Going forward, EV leasing operations will be housed under GEVPL for Blu-Smart and as well as third parties.

Liquidity: Adequate

Liquidity of the company remains adequate characterised by repayment of leased electric vehicles being backed by lease rental receivable from Blu-Smart in a structured manner and free cash and bank balance of Rs.43 crore available with the company as on December 31, 2023, apart from lien marked Fixed deposits of Rs.150 crore. The sanctioned working capital limits (Fund-based and non-fund based) of the company remained at around Rs.91.30 crore, which remained utilised at around 81% for the trailing 10 months ended January 2024. The operating cycle of the company improved to 66 days during FY23 as against 103 days in FY22 owing to low inventory levels as on balance sheet date along with growth in its scale of operations.

Furthermore, the company is expected to generate a GCA of around Rs.280 crore during FY25 as against debt repayment obligation of around ~Rs.192 crore during FY25.

The liquidity of the company is expected to further strengthen during FY25 with receipt of Rs.500 crore through issue of share warrants, of which Rs.215 crore is earmarked for working capital purpose and Rs.45 crore for general corporate purpose.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Short Term Instruments
Construction
Consolidation
Manufacturing Companies
Withdrawal Policy

About the company and industry

Industry classification.

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

Incorporated in 2012, Gensol Engineering Limited, the flagship company of Gensol Group, has a track record of more than a decade in the renewable power segment. GEL was initially incorporated as a private limited company and was later listed on BSE SME platform on October 11, 2019. Later in September 2023, GEL was also listed on NSE platform and in July 2023, the company got itself listed on BSE main platform.

Currently, GEL has presence in diverse business interests. However, till FY24, GEL has only two major revenue streams viz. Solar EPC income and Electric Vehicle leasing income. GEL is engaged in providing EPC and Operations & maintenance (O&M) services for solar power projects. Further, GEL also expects substantial revenue from its EV leasing business as a part of its agreement with Blu-Smart.

Going forward, GEL expects revenue from its EV manufacturing division for which it is currently setting up an EV manufacturing plant at Pune and sales of single axis trackers for solar power plants for which it has acquired majority stake in Scorpius Trackers Private Limited (STPL) during FY24. **Gensol Engineering Limited (Consolidated)**

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023 (UA)*
Total operating income	160.41	392.65	564.28
PBILDT	19.23	58.46	148.84
PAT	11.08	24.79	33.68
Overall gearing (times)	1.78	2.10	NA
Interest coverage (times)	3.49	3.47	2.15

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available';
*as per IND-AS, while FY22 and FY23 figures are reported as per I-GAAP

Gensol Engineering Limited (Standalone)

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023 (UA)*
Total operating income	153.51	365.69	541.11
PBILDT	17.47	56.18	153.19
PAT	11.01	26.64	45.65
Overall gearing (times)	1.71	2.09	2.23
Interest coverage (times)	3.60	3.44	2.26

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available';
*as per IND-AS, while FY22 and FY23 figures are reported as per I-GAAP

Status of non-cooperation with previous CRA: None

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
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	May 31, 2029	624.70	CARE BB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	51.30	CARE BB+; Stable / CARE A4+
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	25.00	CARE BB+; Stable / CARE A4+

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	Fund-based - LT-Term Loan	LT	624.70	CARE BB+; Stable	-	-	1)CARE BB; Stable (13-Mar-23)	-
2	Fund-based - LT/ ST-Cash Credit	LT/ST	51.30	CARE BB+; Stable / CARE A4+	-	-	1)CARE BB; Stable / CARE A4+ (13-Mar-23)	-

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
3	LT/ST Fund-based/ Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	-	-	-	-	1)CARE BB; Stable / CARE A4+ (13-Mar-23)	-
4	Fund-based - LT-Cash Credit	LT	15.00	CARE BB+; Stable				
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	25.00	CARE BB+; Stable / CARE A4+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Cash Credit	Simple
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
5	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated as on December 31, 2023

Sr No	Name of the entity	% of shareholding	Primary business activity
1	Gensol Electric Vehicles Private Limited	58.08%	Electric vehicle manufacturing
2	Gensol EV Lease Private Limited	88.21%	Electric vehicle leasing operations
3	Scorpius Trackers Private Limited	54.38%	Manufacturing of single axis trackers for solar power plants for improved power generation.
4	Gensun Renewables Private Limited	51%	Operates total of around 2 MW solar power projects in the state of Karnataka.
5	Gensol Utilities Private Limited	100%	Provides O&M services for solar power projects.

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

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About us:
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