

Toolfab Renewable Energy & Infra Private Limited

November 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	100.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Toolfab Renewable Energy & Infra Private Limited (TREIPL) is constrained by the nascent stage of project implementation, highly fragmented and competitive industry, and susceptibility of margins to fluctuation in the prices of raw material. The rating, however, factors in the experience of the promoters in the industry with established relationship with reputed clientele base, and strategic location of the project in Karnataka.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completion of project without any cost or time overruns and achieving the envisaged financial performance.

Negative factors

- Any significant delays or cost overrun in completion of the project due to delay in financial closure.

Analytical approach: Standalone

Outlook: Stable

The stable outlook by CARE Ratings Limited (CARE Ratings) reflects that the company is expected to complete the project on time and generate steady income backed by the prior experience of the promoters in the related segment.

Detailed description of key rating drivers:

Key weaknesses

Nascent stage of project implementation

The company, incorporated in August 2024, will be primarily focusing on manufacturing of windmill towers for turbines with capacities ranging from 2MW to 7MW. The proposed manufacturing plant is expected to cost ₹132.86 crore (including soft cost of ₹47.31 crore), with ₹99.45 crore funded through bank debt and ₹33.42 crore through promoters' contributions, resulting in a debt-equity (DE) ratio of 4:1. The project is expected to be completed by January 2025, with the date of commencement of commercial operations (DCCO) expected in April 2025. As of September 30, 2024, the company had incurred ₹8.00 crore (6% of the total cost) on civil construction. While all necessary approvals have been obtained, financial closure is still pending. Given the early stage of implementation and the pending financial closure, timely project completion without cost overruns remains a critical factor to monitor.

Highly fragmented and competitive industry

The windmill tower manufacturing industry in India is highly fragmented, with a wide range of players from large multinational corporations to small and medium-sized enterprises. This fragmentation is driven by the diverse geographical and climatic conditions across the country, which offer significant potential for wind energy generation. The industry includes both established companies with extensive experience and newer entrants looking to capitalize on the growing demand for renewable energy.

Susceptibility to raw material prices

Companies involved in the manufacturing of steel windmill towers are highly vulnerable to fluctuations in raw material prices, especially steel. Steel is an essential component in the construction of windmill towers, comprising a significant portion of the overall materials used. For onshore wind turbines, steel accounts for approximately 20% of the turbine mass, while for offshore turbines, it can be as high as 90%. This heavy reliance on steel means that any changes in steel prices can directly and significantly impact manufacturing costs.

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

Key strengths

Extensive experience of the promoters in the segment

The promoters, Mr. Chava Madan Mohan, a Mechanical Engineering graduate, and Mr. Chava Harshavardhan, who holds a bachelor's degree in commerce, bring over three decades of experience in heavy engineering fabrication with expertise in manufacturing power plant equipment, railway overbridges, high-quality boilers, and windmill towers through a group company 'Toolfab Engineering Industries Private Limited' (TEIPL) which was established in 1995. Since its inception, TEIPL has manufactured and supplied over 1,300 windmill towers with a combined capacity exceeding 1,576 MW and catered to reputed clients such as Suzlon Energy, Vestas, JSW Renewables, Enercon, etc.

Strategic location of the project in Karnataka

The company's manufacturing unit is strategically located in Kanakuppe Village, Chitradurga District, Karnataka for operational efficiency and market reach. With better road access via the Bangalore-Bellary National Highway, nearby railway stations, and airports in Hubli and Vidyanagar, transport is highly efficient. The site also benefits from reliable water, uninterrupted power, and a skilled labour force, making it ideal for serving markets in Karnataka, Maharashtra, Andhra Pradesh, and Telangana.

Liquidity: Stretched

The liquidity of the company is stretched as the company is in nascent stage of project implementation with financial closure yet to be achieved. Any delays in the completion of the project or stabilization of operations may lead to inadequate cash accruals for the repayment of the term loan.

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](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Project stage companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Heavy Electrical Equipment

Toolfab Renewable Energy & Infra Private Limited (TREIPL) was incorporated in August 2024 by the promoters Mr. Chava Madan Mohan and Mr. Chava Harshavardhan. The company was incorporated for the sole purpose of manufacturing windmill tower and is strategically located at the Karnataka-Andhra Pradesh border (Chitradurga District, Karnataka), is optimally positioned to tap into the thriving markets of Karnataka, Maharashtra, Andhra Pradesh, and Telangana.

Brief financials: Not applicable since the company is yet to commence the commercial operations.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	31.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	November 2031	69.00	CARE BB-; Stable

Annexure-2: Rating history for 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	69.00	CARE BB-; Stable				
2	Fund-based - LT-Cash Credit	LT	31.00	CARE BB-; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

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

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About us:

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