

Bright Solar Limited

March 18, 2019

Ratings

Facility	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	15.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Assigned
Total	15.00 (Rupees Fifteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Bright Solar Limited (BSL) is primarily constrained on account of its moderate scale of operations and highly working capital intensive nature of operations with elongated collection period.. The rating, further, remains constrained on account of susceptibility of its profitability to volatility in raw-material prices and its presence in competitive solar power industry.

The rating, however, derive strength from experienced promoters, moderate order book position and comfortable profitability, capital structure and debt coverage indicators during FY18. The rating also takes into account augmentation of networth base through successful completion of SME IPO and listing on NSE Emerge during H1FY19.

The ability of the company to increase its scale of operations coupled with efficient management of its working capital are the key rating sensitivities. Further, any major expansion project and its funding mix would also remain crucial for the rating.

Detailed description of key rating drivers

Key Rating Weaknesses

Moderate scale of operations

The scale of operations have exhibited an increasing trend since the past three years ended FY18, as marked by a Total Operating Income (TOI) which grew at a Compounded Annual Growth Rate (CAGR) of 60.27% during the period FY16-FY18. However, despite steady growth in scale of operations over the past few years, the same continue to remain moderate. The TOI remained moderate at Rs.39.74 crore in FY18 as compared to Rs.18.13 crore in FY17, on the back of higher value orders executed by the company.

Liquidity Position: Working capital intensive nature of operations with elongated collection period

The operations of BSL remained working capital intensive in nature marked by average debtors' period of 127 days during FY18 as against 197 days during FY17. The collection period on average basis has reduced during FY18 and in absolute terms the debtors have decreased from Rs.14.84 crore as on March 31, 2017 to Rs.13.09 crore as on March 31, 2018 and debtors amounting to Rs.12.16 crore are pending for more than 6 months as on March 31, 2018. Although, the operating cycle remained lower at 21 days during FY18, its overall working capital requirement was high owing to stretched receivables. Furthermore, the net cash flow from operations remained low at Rs.0.66 crore during FY18 and cash and bank balance was Rs.1.68 crore as on March 31, 2018.

Susceptibility of profitability to volatility in raw-material prices

The major material used by BSL for installation are solar panels and solar cells which are largely imported, prices of the same have witnessed fluctuations over the past few years on account of improvement in technology and economies of scale. Thus, the profitability of the company remains exposed to the volatility in solar cell prices as it majorly has Fixed-Price contracts with its clients. Nevertheless, to avoid significant inventory losses, BSL has a policy to maintain inventory upto the requirement of 40 to 60 days.

Key Rating Strengths

Experienced promoters

BSL was incorporated in 2010 and promoted by Mr. Piyush Kumar Thumar, Chairman and Managing Director having more than two decades of experience in various industries, including around a decade of experience in Solar Industry. He is responsible for overall operations of the company. Further, Mr. Hiteshkumar Thumar and Mr. Dwarkadas Thumar also hold experience of around two decades in various industries and look after different departments of BSL. Furthermore, operations of the company are supported by experienced and qualified professionals who have an experience in the similar line of businesses.

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

Moderate order book position and comfortable profitability

BSL's clientele base consisting of local and government authorities as well as some private companies. As on January 31, 2019, it has an outstanding order book of around Rs.60 crore which is to be executed during the period of next one year, thereby reflecting medium term revenue visibility. Furthermore profitability margins of BSL remained comfortable during FY18 marked by PBILDT margin of 24.60% as compared to 17.26% during FY17, improvement in operating margin was owing to increase in higher profit yielding orders as well as increase in tender based consultancy service provided to new start-ups in solar industry. Resultantly, the PAT margin of the company also improved y-o-y and remained comfortable at 15.61% during FY18 as compared to 9.38% during FY17.

Comfortable capital structure and debt coverage indicators

The capital structure of the company as marked by overall gearing has remained comfortable at 0.09 times as on March 31, 2018 as against 0.26 times as on March 31, 2017. Further, the debt coverage indicators of the company also remained comfortable as marked by Total Debt to Gross Cash Accruals (TDGCA) at 0.22 years as on March 31, 2018 which improved from 1.53 years as on March 31, 2017. Further, interest coverage ratio also remained highly comfortable at 29.31 times during FY18 as against 5.93 times during FY17 owing to significant increase in PBILDT during FY18.

Listing on SME platform of National Stock Exchange of India Limited (NSE) Emerge

BSL raised Rs.19.44 crore through initial public issue and got listed in July, 2018 on SME platform of National Stock Exchange (NSE). The purpose of the issue is to meet working capital requirements of the company, general corporate purposes and acquisition of land for the project. Resultantly, the tangible net worth base has augmented and accordingly the tangible net worth remained at Rs.38.73 crore as on January 31, 2019 (Provisional).

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Service Sector Companies](#)

About the Company

Ahmedabad-based (Gujarat) BSL was incorporated in 2010 as Private Limited Company and was later reconstituted as a Public Limited Company in December 2017, while it got listed on NSE Emerge (SME platform of NSE) on July, 2018. BSL is mainly into assembling of solar pump systems (DC Solar Pumps and AC Solar Pumps) as well as supplying, installation and commissioning of Solar Photovoltaic (PV) based water pumping systems on an Engineering, Procurement and Construction (EPC) basis. Further, BSL is also into imparting consultancy services to start-ups in Solar Industry. In addition, BSL has recently added water supply, sewerage and infra projects in its service portfolio. BSL operates from its ISO 14001:2015, ISO 9001:2015 and OHSAS 18001: 2007 certified manufacturing facility located in Ahmedabad (Gujarat). BSL's products find application in rural water supply, sewerage and agriculture sector. The products of BSL are sold under the brand name of "PUMPMAN", "BRIGHT SOLAR WATER PUMP" and "BRIGHT SOLAR". Over the years, BSL has setup its marketing network across India with different State Governments, with major projects being executed in the states of Gujarat, Bihar and Rajasthan.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	18.13	39.74
PBILDT	3.13	9.78
PAT	1.70	6.20
Overall gearing (times)	0.26	0.09
Interest coverage (times)	5.93	29.31

A: Audited

During 6MFY19 (Provisional), BSL has registered TOI of Rs.12.91 crore and PAT of Rs.1.43 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Proposed fund based limits	-	-	-	15.00	CARE BB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Proposed fund based limits	LT	15.00	CARE BB+; Stable	-	-	-	-

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