

January 07, 2016

CARE ASSIGNS 'CARE BBB/CARE A3+' RATINGS TO BANK FACILITIES OF HARSHA ABAKUS SOLAR PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	100	CARE BBB/CARE A3+ (Triple B/A Three Plus)	Assigned
Total Facilities	100 (Rupees One Hundred Crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Harsha Abakus Solar Private Limited (HASPL) takes into account the strength of its parent; Harsha Engineers Limited (HEL, rated CARE A+/CARE A1+, under credit watch) along with the promoters of HEL. The ratings, further, takes into account established track record of HASPL in solar engineering, procurement and construction (EPC) business along with reputed clientele, its strong order book position and favorable government policies for the solar power sector.

However, the ratings are constrained by the low profitability, working capital intensive operations and bid driven nature of solar EPC business along with low entry barriers. Furthermore, ratings are also constrained by the volatility in solar module prices and foreign exchange fluctuation risk on its imports.

Going forward, improvement in profitability and efficient management of working capital requirements are the key rating sensitivities. Need based support from the promoters is also crucial.

Background

Incorporated in December 2010, HASPL is a joint venture (JV) between HEL and Abakus Solar AG, Germany with initial equity participation in the ratio of 76% and 24% respectively. Subsequently, HEL and promoters of HEL (Mr Rajendra Shah and Mr Harish Rangwala family) increased its equity stake to 99.99% as on September 30, 2015. HASPL provides EPC solutions for the installation and commissioning of on-grid and off-grid solar power plants and also roof top solutions.

Based on audited FY15 (refers to the period April 1 to March 31), HASPL reported total operating income (TOI) of Rs.177.75 crore (FY14: Rs.127.48 crore) and profit after tax (PAT) of Rs.3.63 crore (FY14: net loss of Rs.2.63 crore). Based on provisional results for H1FY16, HASPL reported TOI of Rs.128.91 crore (H1FY15: Rs.21.07 crore) and net loss of Rs.0.31 crore (H1FY15: net loss of Rs.2.33 crore).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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

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