Harsha Abakus Solar Private Limited

January 11, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term/Short-term Facilities	100.00	**CARE BBB; Stable/ CARE A3; [(Triple B; Outlook: Stable/ A Three)]**	**Revised from CARE BBB/ CARE A3+ (Triple B/ A Three Plus)**
Total Facilities	**100.00 (Rupees Hundred Crore only)**		

Details of instruments/facilities in Annexure-1

The revision in the short term rating assigned to the bank facilities of Harsha Abakus Solar Private Limited (HASPL) takes into account moderation in liquidity marked by delay in realization of debtors during FY16 (refers to the period April 01 to March 31). The revision in rating also takes into account significant decline in total operating income during H1FY17 with company reported net loss for the period. However, during H1FY17, the company has received a substantial portion of overdue debtors leading to improvement in cash flow position.

The ratings continue to derive strength from the strong parentage of Harsha Engineers Limited (HEL; rated: CARE A/ CARE A1+), established execution track record of HASPL in solar engineering, procurement and construction (EPC) business and favorable government policies for solar power sector in India.

The ratings are, however, constrained due to low profitability margin, working capital intensive nature of operations, moderate order book position, competitive and fragmented solar EPC business with low entry barriers and susceptibility to volatility in solar module prices and foreign exchange rates.

Ability of the company to manage its working capital requirement effectively, steady execution of projects on hand leading to improvement in sale of operation and profitability along with securing new orders shall be the key rating sensitivities.

HASPL's operations are working-capital intensive as it is engaged in EPC business (i.e. supply, installation and commissioning) which is majorly tender driven. As on March 31, 2016, the outstanding debtor position has deteriorated significantly to Rs.130.21 crore which has resulted in increased debtor collection period of around 129 days at the end of FY16. Further, out of the closing debtors of Rs.130.21 crore as on March 31, 2016, debtors amounting to Rs.65.68 crore were outstanding for more than 90 days. However, the outstanding debtors' position has also improved to Rs.42.65 crore as on September 30, 2016. The capital structure deteriorated to 2.36 times as on March 31, 2016 due to higher reliance on the working capital borrowings on account of delay in the payments from customers.

HASPL reported total operating income of Rs.34.19 crore with an operating loss of Rs.1.23 crore during H1FY17. HASPL has intentionally slowed down the execution and bidding for new projects considering the stretched receivable cycle.

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

During FY16, the promoters have infused equity capital of Rs.14.25 crore and unsecured loans of Rs.14.65 crore to support the increased working capital requirement of the company. As on March 31, 2016, the unsecured loans from promoters stood at Rs.32.88 crore of which Rs.15.00 crore are subordinated to bank finance and hence considered as quasi equity.

HASPL has an operational track record of close to 6 years where the company has been engaged in design, consulting, EPC and Operations & Maintenance (O&M) services for off-grid as well as on-grid photovoltaic power projects as an integrated solar energy solutions provider. The company has executed nearly 40 turnkeys EPC solar projects having aggregate capacity of more than 166 MW over past 6 years ended September 30, 2016.

No significant investment is required for the EPC work for solar project which results in low entry barriers in the business. These low entry barriers have resulted in large number of organized and unorganized players entering the industry which has led to increased competition.

Analytical Approach Followed: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[CARE's methodology for Infrastructure companies]
[Financial Ratios- Non Financial Sector]

Company Background

Incorporated in December 2010, HASPL is a joint venture (JV) between HEL and Abakus Solar AG (Abakus) with initial equity participation in the ratio of 76% and 24% respectively. Subsequently, promoters of HEL increased its equity stake in the company. As on March 31, 2016, HEL and its promoters hold 99.99% stake in the company and balance is held by Abakus. HASPL provides EPC solutions for the installation and commissioning of on-grid and off-grid solar power plants and also roof top solutions.

During FY16, HASPL has reported a PAT of Rs.2.92 crore on a total operating income of Rs.245.81 crore as against a PAT of Rs.3.63 crore on a total operating income of Rs.177.75 crore in FY15. During H1FY17, the company has reported a net loss of Rs.2.98 crore on a total operating income of Rs.34.19 crore.

Status of non-cooperation with previous CRA: Not Applicable

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

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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
Non-Fund Based - LT/ ST-BG/LC	-	-	-	95.00	CARE BBB; Stable/ CARE A3
LT/ST Fund-based/Non Fund Based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	5.00	CARE BBB; Stable/ CARE A3

Annexure-2

Rating History (Last three years)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings (January 11, 2017)			Chronology of Rating history for past three years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Non-Fund Based - LT/ ST-BG/LC	LT/ST	95.00	CARE BBB; Stable / CARE A3	1) CARE BBB / CARE A3+ (January 07, 2016) 2) CARE BBB / CARE A3+ (December 24, 2015)	None	None
2.	LT/ST Fund-based/Non Fund Based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	5.00	CARE BBB; Stable / CARE A3	1) CARE BBB / CARE A3+ (January 07, 2016) 2) CARE BBB (December 24, 2015)	None	None

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CIN - L67190MH1993PLC071691