Harsha Abakus Solar Private Limited

March 31, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long- Term/Short-Term Bank Facilities	67.82	**CARE BB+; Stable/ CARE A4+ ISSUER NOT CO-OPERATING* [Double B Plus; Outlook: Stable/ A Four Plus; ISSUER NOT CO-OPERATING*]**	**Issuer Not Cooperating; Revised from CARE BBB-; Stable / CARE A3 [Triple B Minus; Outlook: Stable/ A Three]**
Long-Term Bank Facilities	64.34	**CARE BB+; Stable ISSUER NOT CO-OPERATING* [Double B Plus; Outlook: Stable; ISSUER NOT CO-OPERATING*]**	**Issuer Not Cooperating; Revised from CARE BBB-; Stable [Triple B Minus; Outlook: Stable]**
Total Bank Facilities	**132.16 (Rupees One Hundred Thirty Two crore and Sixteen lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Harsha Abakus Solar Private Limited (HASPL) to monitor the ratings vide e-mail communications/letters dated January 30, 2020, February 03, 2020, March 11, 2020, March 17, 2020, March 20, 2020, March 23, 2020, March 24, 2020 and March 25, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings.

In line with the extant SEBI guidelines, CARE has reviewed the ratings of HASPL on the basis of the best available information which, however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on HASPL's bank facilities will now be denoted as '**CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING'***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on March 25, 2019 the following were the rating strengths and weaknesses (updated for available information):

Key Rating Weaknesses

Decline in total operating income (TOI) with high amount of cash losses

During FY19, TOI of HASPL has declined from Rs.448.95 crore to Rs.120.66 crore and it has reported loss at PBILDT level of Rs.15.59 crore due to high overheads. Further, HASPL has reported net loss of Rs.17.24 crore with cash loss of Rs.24.41 crore which has significantly eroded the Net-worth of the company from Rs.50.55 crore as on end-FY18 to Rs.33.40 crore as on end-FY19.

Increase in working capital intensity due to inordinate delay in realization of debtors from its completed projects

Ratings

HASPL's operations are working capital intensive as it is engaged in EPC business wherein payment terms are linked to achievement of project's physical milestone with certain portion being kept as retention money. During 9MFY20, HASPL has collected Rs.80.14 crore from its debtors, which led to reduction of outstanding debtors from Rs.142.39 crore as on March 31, 2019 to Rs.104.34 crore as on December 31, 2019. However, outstanding debtors still remain very high. Out of the outstanding total debtors of Rs.104.34 crore as on Dec. 31, 2019, Rs.89.02 crore is outstanding for a period of more than 1 year and it majorly includes outstanding debtors of ~Rs.64 crore from NLC India Limited (NLC). Earlier, the company had estimated realisation of the outstanding debtors of Rs.64.00 crore from NLC equally over a three year

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

period viz. FY20-FY22. However, it has hardly realised anything during 9MFY20 from NLC. HASPL's ability to realize outstanding receivables in a time bound manner is crucial from credit perspective; in the absence of which its liquidity remains stretched.

High Leverage

HASPL has retired large portion of its debt pertaining to NLC project during FY19 leading to decline in its overall gearing from 5.04 times as on March 31, 2018 to 3.15 times as on March 31, 2019, however the leverage still remains very high, which limits its financial flexibility to raise any additional debt.

Competitive and fragmented solar power EPC business with low entry barriers

As EPC business doesn't require any significant investment such as capital required for manufacturing facilities, there is inherent high competition in relatively lower expertise EPC business such as solar power EPC. These low entry barriers have resulted in large number of organized and unorganized players entering the industry which has led to increased competition and pressure on profitability.

High susceptibility to volatility in solar module prices and fluctuation in foreign exchange rates

HASPL procures raw material only upon the receipt of confirmed order and signing of power purchase agreement (PPA) by developers, however it is still exposed to volatility in solar module prices in the lead time. Furthermore, imports constituted ~45-50% of the projects bought out components. Although HASPL books forward contract to hedge its foreign currency exposure, it is exposed to inherent foreign exchange fluctuation risk.

Key Rating Strengths

Experienced and resourceful promoters with demonstrated track record of providing need-based support to HASPL's operations

The promoters of HASPL (Mr. Harish Rangwala, Mr. Rajendra Shah and their family members) have extensive experience in the engineering industry. Moreover, HASPL also derives financial flexibility and demonstrated support from its promoters, who have also promoted Harsha Engineers Limited (HEL; rated 'CARE A+; Stable/CARE A1+') which is a leading manufacturer of bearing cages in India and a preferred supplier to several reputed multinational bearing companies. The promoters of HASPL have been regularly infusing unsecured loans in HASPL in their individual capacity on need basis. Unsecured loans from promoters in HASPL stood at Rs.43.35 crore (including quasi equity of Rs.22.00 crore) as on March 31, 2019.

Established execution track record in solar power EPC business

HASPL has executed more than 45 EPC solar power projects on turnkey basis having aggregate capacity of more than 300 MW over past six years ended March 31, 2018. HASPL has completed most of the projects within estimated time frame which reflects its demonstrated execution capability. Further, HASPL has executed the projects in various states like Tamil Nadu, Gujarat, Maharashtra, Rajasthan and Karnataka which also enhances its geographical diversity.

Analytical Approach: Standalone while factoring promoter's articulation to provide timely need-based support to HASPL in case of any requirement

Applicable Criteria

Policy in respect of Non-Cooperation by Issuer
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology- Construction Sector
Criteria for Short Term Instruments
Financial ratios - Non- Financial Sector

About the Company

HASPL was initially incorporated in December 2010 as a joint venture (JV) between HEL and Abakus Solar AG with initial equity participation in the ratio of 76% and 24% respectively. HEL's stake was increased to 96.87% as on March 31, 2014 which was gradually divested to the promoters of HEL (Rajendra Shah and Harish Rangwala families) who increased their equity stake in HASPL to 99.99% during FY17. HASPL provides EPC solutions for the installation and commissioning of on-grid and off-grid solar power plants; and roof top solutions.

Brief Financials (Rs. Crore)	FY18 (A)	FY19 (A)

Total operating income	448.96	120.67
PBILDT	12.72	(15.60)
PAT	6.57	(17.24)
Overall gearing (times)	5.04	3.15
Interest coverage (times)	1.56	NM

A; Audited, NM: Not meaningful

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating History for last three years: Please refer Annexure-2
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	NA	NA	NA	57.82	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable / CARE A3 on the basis of best available information
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	NA	NA	NA	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable / CARE A3 on the basis of best available information
Fund-based/Non-fund-based-LT/ST	NA	NA	NA	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable / CARE A3 on the basis of best available information
Non-fund-based - LT-Bank Guarantees	NA	NA	NA	20.34	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information
Fund-based - LT-Term Loan	NA	NA	Jan 31, 2022	44.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information

** Issuer did not cooperate; based on best available information*

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017

1.	Non-fund-based - LT/ ST-BG/LC	LT/ST	57.82	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable / CARE A3 on the basis of best available information	-	1)CARE BBB-; Stable / CARE A3 (25-Mar-19)	1)CARE BBB; Stable / CARE A3 (18-Dec-17) 2)CARE BBB; Stable / CARE A3 (07-Jul-17)	1)CARE BBB; Stable / CARE A3 (11-Jan-17)
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable / CARE A3 on the basis of best available information	-	1)CARE BBB-; Stable / CARE A3 (25-Mar-19)	1)CARE BBB; Stable / CARE A3 (18-Dec-17) 2)CARE BBB; Stable / CARE A3 (07-Jul-17)	1)CARE BBB; Stable / CARE A3 (11-Jan-17)
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	5.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable / CARE A3 on the basis of best available information	-	1)CARE BBB-; Stable / CARE A3 (25-Mar-19)	1)CARE BBB; Stable / CARE A3 (18-Dec-17) 2)CARE BBB; Stable / CARE A3 (07-Jul-17)	-
4.	Non-fund-based - LT-Bank Guarantees	LT	20.34	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	-	1)CARE BBB-; Stable (25-Mar-19)	1)CARE BBB; Stable (18-Dec-17) 2)CARE BBB; Stable (07-Jul-17)	-
5.	Fund-based - LT-Term Loan	LT	44.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	-	1)CARE BBB-; Stable (25-Mar-19)	-	-

** Issuer did not cooperate; based on best available information*

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.*

Contact us

Media Contact
Name: Mradul Mishra
Contact no. : +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Name: Hardik Shah
Contact Number: +91-79-4026 5620
Email ID- hardik.shah@careratings.com

Business Development Contact
Name: Deepak Prajapati
Contact no. +91-79-4026 5656
Email ID - deepak.prajapati@careratings.com

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.

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