

January 23, 2023

Kosol Energie Private Limited: Rating Withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term Fund Based - Cash Credit	6.00	6.00	[ICRA]A-(CE) (Stable) withdrawn
Short Term Non-fund Based Facilities	6.00	6.00	[ICRA]A2+(CE) withdrawn
Total	12.00	12.00	

Rating Without Explicit Credit Enhancement*

[ICRA]BBB/[ICRA]A3+

*Instrument details are provided in Annexure-I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

ICRA has withdrawn its ratings of [ICRA]A-(CE) (Stable)/[ICRA]A2+(CE) for the bank facilities of Kosol Energie Private Limited (KEPL) at the request of the company. The rating action has been taken in the context of the Guidance Note and the FAQ document issued by the Reserve Bank of India (RBI) to the credit rating agencies on April 22, 2022, and July 26, 2022, respectively, guiding that the benefit of a corporate guarantee that does not meet the evaluation mechanism/criteria defined by the RBI is not to be considered while assigning the credit enhanced (CE) ratings. Among other considerations, the [ICRA]A-(CE)/[ICRA]A2+(CE) ratings drew comfort from the presence of a corporate guarantee extended by KEPL's guarantor to the lenders of the rated bank facilities. For assigning the ratings, ICRA had assessed the attributes of the guarantee issued by Kalthia Engineering and Construction Limited (KECL, rated [ICRA]A- (Stable)/[ICRA]A2+) in favour of the rated facility. While the guarantee was legally enforceable, irrevocable, unconditional, covering the entire amount and tenor of the rated facility, and meeting all the attributes of a strong guarantee, it did not have a well-defined invocation and payment mechanism. Taking cognisance of the above, ICRA had assigned ratings of [ICRA]A-(CE)/[ICRA]A2+(CE) to the said facility against the unsupported ratings of [ICRA]BBB/[ICRA]A3+ [and in relation to the guarantor's ratings of [ICRA]A-/ [ICRA]A2+].

To align itself with the aforesaid regulatory guidance, ICRA would no longer be considering in its credit assessments the benefit of a guarantee, that lacks an invocation and payment mechanism, even as such support represents a relatively stronger expression of commitment on the part of the support provider for the supported facilities in comparison with a support that is only implicit in nature.

The aforesaid FAQ document issued by the RBI permits the withdrawal of a (CE) rating for facilities where a given support cannot be considered for a credit enhancement. Such a withdrawal is permitted only if it is solicited by the rated entity, even if there might be obligations outstanding against the rated facilities, and a no-objection certificate (NOC) from the lenders is not available. Accordingly, ICRA has withdrawn the [ICRA]A-(CE) (Stable)/[ICRA]A2+(CE) ratings solely at the request of the company.

In ICRA's assessment, the rating of the bank facilities, without factoring-in the benefit of the guarantee, would have been [ICRA]BBB (Stable)/[ICRA]A3+, as disclosed in the previous rationale dated December 31, 2021. ICRA does not have incremental information to suggest that the unsupported credit risk profile of the entity has changed since the time the rating was last reviewed.

The key rating drivers, liquidity position, rating sensitivities and key financial indicators have not been captured in this rating rationale as the rated facilities are being withdrawn. The previous detailed rating rationale is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy on Withdrawal of Credit Ratings Approach for rating debt instruments backed by third-party explicit support
Parent/Group support	The ratings are based on the unconditional and irrevocable corporate guarantee from the sponsor, KECL.
Consolidation/Standalone	Standalone

About the company

KEPL was originally incorporated as a partnership concern (named M/S Hiramrut Solar Energy). In 2005, it was converted into a private limited company with its name being changed to Kosol Hiramrut Energies Private Limited in 2010, and to its current name in FY2017. It manufactures thermal-based solar products and has an installed capacity of 54.75 lakh litres per annum for solar water heaters (SWH). Kosol has increased its installed capacity of its solar PV modules manufacturing plant to 170 mega watt (MW) per annum from 25 MW in FY2019.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2023)			Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Jan 23, 2023	Dec 31, 2021	Sep 25, 2020	Nov 15, 2019
1 Fund based Cash Credit	Long Term	6.00	-	[ICRA]A-(CE) (Stable); Withdrawn	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)
2 Non fund based facilities	Short Term	6.00	-	[ICRA]A2+(CE); Withdrawn	[ICRA]A2+(CE)	[ICRA]A2+(CE)	[ICRA]A2+(CE)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term Fund Based - Cash Credit	Simple
Short Term Non-Fund Based Facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN No	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Fund based Cash Credit	NA	NA	NA	6.00	[ICRA]A-(CE) (Stable); Withdrawn
NA	Non-fund based facilities	NA	NA	NA	6.00	[ICRA]A2+(CE); Withdrawn

Source: Kosol Energie Private Limited

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

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Branches



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