February 02, 2024

Goldi Sun Private Limited: [ICRA]BBB(Stable)/[ICRA]A3+ assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term/Short term – Fund-based limits (Interchangeable with non-fund based limits)	90.00	[ICRA]BBB (Stable)/ [ICRA]A3+; assigned
Long-term fund-based - Term loan	97.30	[ICRA]BBB (Stable); assigned
Short-term non-fund based limits	20.00	[ICRA]A3+; assigned
Long term/Short term fund-based/Non-fund based - Proposed limits	99.70	[ICRA]BBB (Stable)/ [ICRA]A3+; assigned
Total	**307.00**	

**Instrument details are provided in Annexure-I*

Rationale

While assigning the credit ratings of Goldi Sun Private Limited (Goldi Sun), ICRA has taken a consolidated view of Goldi Sun and its parent Goldi Solar Private Limited (Goldi Solar), given the common management team and significant operational linkages between the companies, besides the strategic importance of Goldi Sun for its parent Goldi Solar.

The ratings assigned factor in the established presence of the company as one of the leading market players in the domestic solar module manufacturing industry. The ratings favourably consider the company's healthy revenue growth over the past few years, expected to be sustained over the medium term with the expansion in capacities along with a healthy order book position of around Rs. 3,000 crore as of December 2023. The ratings continue to factor in the favourable business outlook for domestic solar module manufacturers, given the policy thrust from the Government of India (GoI) along with the strong project pipeline in the solar power sector.

The ratings, however, remain constrained by the company's leveraged capital structure and moderate debt metrics with a gearing of 2.1 times (adjusted for loans from promoters) and adjusted debt /OPBIDTA of 3.0 times in FY2023, mainly due to the debt-funded capex in recent years. ICRA takes note that the capital structure and debt coverage metrics will improve gradually, supported by healthy profits and cash generation as the business scales up further. The profitability remains susceptible to the volatility in the price spread between PV modules and cells, other raw material prices (including polysilicon, aluminium, wafer, glass and copper) and foreign exchange fluctuations, as most of the raw material is imported and constitute a significant portion of its cost structure. ICRA notes that for a large portion of the contracts in the current order book, key raw materials like cells are supplied by the customers which limits the sharp variation in profitability.

The ratings further note that the domestic module manufacturing sector is characterised by high competitive intensity and continues to attract new players because of the policy support towards green energy, keeping the profitability under check. Further, the domestic solar module manufacturing industry also faces competition from imports, which is likely to continue with the deferment of the ALMM scheme till March 31, 2024. The favourable policy environment has supported the competitiveness of the domestic industry and the continuation of the same remains critical for encouraging domestic production. Moreover, there is continuous innovation on the product side in the global market and the company needs to continuously upgrade and invest in product development to keep abreast of the evolving technology. Also, ICRA notes that the company offers product warranty for a long period of 10-25 years, which exposes it to risks pertaining to any devolvement of warranties, though there have been no such claims till date.

The Stable outlook reflects ICRA's expectation that the company would be able to scale up its revenues, aided by a healthy order book and a favourable outlook for domestic module manufacturers.

Key rating drivers and their description

Credit strengths

Established presence in solar module manufacturing industry – The Goldi Group is an established player and among the leading companies in the solar module manufacturing sector, with an operational manufacturing capacity of 1.7 GW (1.2 GW in Goldi Sun and 0.5 GW in Goldi Solar). The 1.2-GW augmented capacity commissioned in April 2022 through its subsidiary Goldi Sun has enabled the company to scale up its operations. The company enjoys an operational track record of over a decade, catering to reputed market players.

Favourable demand outlook for domestic module manufacturers to support revenue growth - The demand outlook for domestic solar module manufacturers remains favourable, supported by the energy transition targets announced by the Government of India with focus on the solar power sector, along with the GoI's plan to promote the development of the domestic solar PV manufacturing value chain. This is reflected through policies such as imposition of BCD on imported cells and modules, the requirement of procuring solar modules from suppliers included in the approved list of module manufacturers (ALMM) which now features only domestic suppliers and the notification of the production-linked incentive (PLI) scheme to improve the cost competitiveness of domestic manufacturers. While the ALMM is under suspension till March 31, 2024, the order inflow is supported by the large capacity addition expected in the sector and healthy export demand, mainly from the US.

Healthy growth in scale and order book position – At a consolidated level, the Group revenue increased at CAGR of 94% to Rs. 1,489.3 crore in FY2023 against Rs. 397.1 crore in FY2021, supported by capacity expansion and healthy order inflows. The company achieved a revenue of Rs. 1,174.3 crore in 9M FY2024 and the revenue growth is expected to remain healthy in the near term, given its unexecuted order book and favourable demand prospects. The company has an order book position of around Rs. 3,000 crore as of December 2023 for the supply of PV modules and EPC work, which is to be executed in the next 12 months. Going forward, company may plan for a capacity expansion depending on the demand scenario and policy developments.

Credit challenges

Leveraged capital structure and moderate debt coverage metrics - The capital structure of the company remains leveraged, with gearing of 2.1 times (adjusted for loans from promoters) and adjusted debt /OPBIDTA of 3.0 times, predominantly due to the recent debt-funded capacity expansion and working capital borrowings. Further, the company continued to rely sizeably on LC-backed creditors, customer advances and high interest-bearing NBFC limits to fund its working capital requirement which resulted in high TOL/TNW of 4.7 times. ICRA takes note that the capital structure and debt coverage metrics are likely to improve gradually, supported by expected increase in earnings as the business scales up further.

Profitability exposed to fluctuations in raw material prices and foreign exchange rates – The company's profitability indicators remain susceptible to fluctuations in raw material prices such as solar cells, backsheet, glass and aluminium etc. among others. Moreover, given the lack of backward integration and limited capacities in India, the company remains dependent on imports for solar cells, exposing it to pricing and availability risks. Nonetheless, the company is mitigating this risk to a large extent as a large part of the existing order book is under tolling arrangement (fixed tolling charges per module), wherein the key raw materials like solar cells, backsheet, glass etc is arranged by the customers. The company is also vulnerable to any adverse movement in foreign exchange rates for the unhedged exposure mainly due to major dependence on imported raw material.

The operations remain exposed to risks pertaining to any devolvement of warranties on the supply of solar modules. However, the warranty claims have remained low so far and are backed by insurance, which provides assurance on the quality of the company's products and services.

Susceptibility to intense competition and regulatory changes - The company faces intense competition from Chinese imports, considering the price advantage that the latter possess, resulting in moderate margin levels. Further, with the deferment of the ALMM scheme, till March 2024, the competition from imports is likely to remain. Additionally, given the significant policy push towards domestic manufacturing, the competition is likely to increase, evident from the capex plans by some of the larger domestic players. Further, while the Government's regulations, targets and policies currently support the industry, the company remains vulnerable to changes in policies and tariff barriers.

Liquidity position: Adequate

The Group's liquidity position remains adequate, driven by expected sufficient cash flow from operations against debt obligations. The company has moderate cushion available in its working capital limits, with an average utilisation of nearly 60% against the drawing power during the past 12 months. Additionally, the liquidity is supported by free cash and bank balance of Rs. 7.9 crore as on September 30, 2023, on a consolidated basis. The repayments are expected to remain at Rs. 10.58 crore in FY2024 and Rs. 14.17 crore in FY2025, which can be comfortably met through cash accruals.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company is able to demonstrate a sustained increase in earnings, leading to an improvement in the debt coverage metrics along with strengthening of the liquidity position.

Negative factors – Pressure on the ratings could arise if the company witnesses a sharp deterioration in its revenues and profitability that would weaken the debt coverage metrics. Further, any stretch in the working capital cycle that weakens the liquidity position, or any significant increase in indebtedness may trigger a downward rating action. A specific credit metric for downgrade includes DSCR below 1.4 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken consolidated view of Goldi Solar Private Limited and its subsidiary, Goldi Sun Private Limited. ICRA has considered the consolidated financials of Goldi Solar Private Limited; the company has three subsidiaries, the details of which are provided in Annexure II

About the company

Goldi Sun Private Limited, incorporated in 2020, is into solar module manufacturing with a capacity of 1,200-MW module line commissioned in April 2022, located at Navsari, Gujarat. Goldi Sun Private Limited, a 100% subsidiary of Goldi Solar Private Limited.

Key financial indicators (audited)

Standalone	FY2023
Operating income	930.6
PAT	36.3
OPBDIT/OI	7.5%
PAT/OI	3.9%
Total outside liabilities/Tangible net worth (times)	5.0
Total debt/OPBDIT (times)	3.4
Interest coverage (times)	5.3

Source: Company, ICRA Research; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

About the parent

Goldi Solar Private Limited was incorporated in 2011 by Mr. Ishverbhai Dholakiya, Mr. Prabhudas Dholakiya and Mr. Bharatkumar Bhut. It is one of the leading solar module manufacturing facilities in India. It has a 500-MW operating module line at its plant in Pipodara, Surat (Gujarat). Goldi Sun Private Limited, a 100% subsidiary of Goldi Solar, has a 1,200-MW module line commissioned in April 2022 and is located at Navsari, Gujarat. The Group also derives a small portion of the revenue from the solar EPC business.

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	546.4	1489.3
PAT	9.4	48.4
OPBDIT/OI	3.5%	6.4%
PAT/OI	1.7%	3.3%
Total outside liabilities/Tangible net worth (times)	5.9	4.9
Total debt/OPBDIT (times)	3.9	3.3
Interest coverage (times)	4.2	4.4

Source: Company, ICRA Research; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Feb 02, 2024	-	-	-
1	Fund-based limits	Long term and short term	90.00	-	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-
2	Term loan	Long term	97.30	97.30	[ICRA]BBB (Stable)	-	-	-
3	Non-fund based limits	Short term	20.00	-	[ICRA]A3+	-	-	-
4	Fund-based/ Non-fund-based - Proposed limits	Long term and short term	99.70	-	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/Short term – Fund-based limits	Simple
Long term - Fund-based limits - Term loan	Simple
Short term - Non-fund based limits	Very Simple
Long term/Short term – Fund-based/ Non-fund based - Proposed limits	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	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based limits	NA	NA	NA	90.00	[ICRA]BBB (Stable)/ [ICRA]A3+
NA	Term loan	FY2023	NA	FY2030	97.30	[ICRA]BBB (Stable)
NA	Non-fund based limits	NA	NA	NA	20.00	[ICRA]A3+
NA	Fund-based/ Non-fund-based - Proposed limits	NA	NA	NA	99.70	[ICRA]BBB (Stable)/ [ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidated Approach
Goldi Solar Private Limited^	100.00%	Full Consolidation
Goldi Sun Private Limited	100.00%	Full Consolidation
Goldi Harsha Ventures LLP	100.00%	Full Consolidation
Goldi Solar Inc.	100.00%	Full Consolidation

Source: Annual Report FY2023; ^Parent company

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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