

July 31, 2024

Goldi Sun Private Limited: Ratings reaffirmed; Rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term/Short term – Fund-based limits (Interchangeable with non-fund based limits)	90.00	155.00	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed and assigned for enhanced amount
Long-term fund-based - Term loan	97.30	204.10	[ICRA]BBB (Stable); reaffirmed and assigned for enhanced amount
Short-term non-fund based limits	20.00	244.95	[ICRA]A3+; reaffirmed and assigned for enhanced amount
Long term/Short term fund-based/Non-fund based - Proposed limits	99.70	2.95	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed
Total	307.00	607.00	

*Instrument details are provided in Annexure-I

Rationale

While arriving at the 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 reaffirmation of the ratings factors in the company's healthy revenue growth over the past few years which is expected to be sustained over the medium term, supported by capacity expansion and a healthy order book position of around Rs. 4,396 crore as of June 2024. ICRA also notes the established presence of the company as one of the leading market players in the domestic solar module manufacturing industry. The ratings further continue to consider in the favourable business outlook for domestic solar module manufacturers, given the policy thrust from the Government of India (GoI) along with a 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 1.6 times (adjusted for loans from promoters) and adjusted debt /OPBIDTA of 2.6 times in FY2024, mainly due to the debt-funded capital expenditure in recent years. ICRA takes note that the capital structure and debt coverage metrics will improve gradually, backed by healthy profits and cash generation as the business scales up further. The profitability remains susceptible to the volatility in the price spread between photovoltaic (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. The favourable policy environment has supported the competitiveness of the domestic industry and continuation of the support remains critical to encourage domestic production. Moreover, there is continuous innovation on the product side in the global market and the company needs to constantly 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 2.9 GW (2.4 GW in Goldi Sun and 0.5 GW in Goldi Solar). The Group's manufacturing capacity increased to 2.9 GW as on June 2024 from 1.7 GW as on March 2023. 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 Gol'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.

Healthy growth in scale and orderbook position – At a consolidated level, the Group's revenue increased at 25% to Rs. 1,855.4 crore in FY2024 against Rs. 1,489.3 crore in FY2023, supported by capacity expansion and healthy order inflows. The revenue growth is expected to remain healthy in the medium term, given its unexecuted order book and favourable demand prospects. The company has an order book position of around Rs. 4,396 crore as of June 2024 for the supply of PV modules and engineering, procurement, and construction (EPC) contract work, which is to be executed in the next 12 months. Going forward, the company may plan capacity expansion, backed by equity funding from strategic investors.

Credit challenges

Leveraged capital structure and moderate debt coverage metrics - The capital structure of the company remains leveraged, with gearing of 1.6 times (adjusted for loans from promoters) and adjusted debt /OPBIDTA of 2.6 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 6.3 times. ICRA notes that the capital structure and debt coverage metrics are likely to improve gradually, supported by an 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 remains susceptible to fluctuations in raw material prices such as solar cells, backsheets, 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 as a large part of the existing order book is primarily under tolling arrangement (fixed tolling charges per module), wherein the key raw materials like solar cells, backsheets, glass etc are 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 has, resulting in moderate margin levels. 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. 13.13 crore as on March 31, 2024, on a consolidated basis. The repayments are expected to remain at Rs. 24.69 crore in FY2025 and Rs. 33.47 crore in FY2026, 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, has a 2,400-MW solar module manufacturing line at Navsari, Gujarat. Goldi Sun Private Limited is a 100% subsidiary of Goldi Solar Private Limited.

Key financial indicators (audited)

Standalone	FY2023	FY2024*
Operating income	930.6	1,140.4
PAT	36.3	37.2
OPBDIT/OI	7.5%	7.3%
PAT/OI	3.9%	3.3%
Total outside liabilities/Tangible net worth (times)	5.0	5.9
Total debt/OPBDIT (times)	3.4	2.7
Interest coverage (times)	5.3	2.7

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; 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. It has 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 2,400-MW module line 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	FY2024*
Operating income	546.4	1489.3	1,855.4
PAT	9.4	48.4	56.3
OPBDIT/OI	3.5%	6.4%	6.2%
PAT/OI	1.7%	3.3%	3.0%
Total outside liabilities/Tangible net worth (times)	5.9	4.9	6.3
Total debt/OPBDIT (times)	3.9	3.3	3.0
Interest coverage (times)	4.2	4.4	2.8

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; 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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			Jul 31, 2024	Feb 02, 2024	-	-	
1 Fund-based limits	Long term and short term	155.00	[ICRA]BBB(Stable)/ [ICRA]A3+	[ICRA]BBB(Stable)/ [ICRA]A3+	-	-	
2 Term loan	Long term	204.10	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-	
3 Non-fund based limits	Short term	244.95	[ICRA]A3+	[ICRA]A3+	-	-	
4 Fund-based/ Non-fund-based - Proposed limits	Long term and short term	2.95	[ICRA]BBB(Stable)/ [ICRA]A3+	[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	155.00	[ICRA]BBB (Stable)/ [ICRA]A3+
NA	Term loan	FY2023	NA	FY2031	204.10	[ICRA]BBB (Stable)
NA	Non-fund based limits	NA	NA	NA	244.95	[ICRA]A3+
NA	Fund-based/ Non-fund-based - Proposed limits	NA	NA	NA	2.95	[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:

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Branches



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