March 04, 2025

Gensol Engineering Limited : Ratings Downgraded

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund-based term loan	925.0	925.0	[ICRA]D downgraded from [ICRA]BBB- (Stable)
Long term – Fund-based cash credit	718.5	718.5	[ICRA]D downgraded from [ICRA]BBB- (Stable)
Long term and short term - BG	406.5	406.5	[ICRA]D /[ICRA]D downgraded from [ICRA]BBB- (Stable)/[ICRA]A3
Long term and short term - BG (sub-limit of CC limit)	(51.3)	(51.3)	[ICRA]D /[ICRA]D downgraded from [ICRA]BBB- (Stable)/[ICRA]A3
Total	**2,050.0**	**2,050.0**	

**Instrument details provided in Annexure I*

Rationale

The ratings for the bank facilities of Gensol Engineering Limited (GEL) have been downgraded to [ICRA]D following feedback received by ICRA from the company's lenders about the ongoing delays in debt servicing. GEL, in its latest public disclosures as well as in its recent communications with ICRA, had highlighted sizeable available liquidity to support its operations during its ongoing growth phase. In this regard, reference can be drawn to GEL's investor call transcript dated February 13, 2025, wherein the management had highlighted total liquidity in the books of about Rs. 250 crores[1], in addition to access to working capital limits. GEL had also been sharing no-default statements with ICRA at the beginning of every month suggesting timely debt servicing.

However, ICRA has now learnt that certain documents shared by GEL with ICRA, on its debt servicing track record, were apparently falsified, which raises concerns on its corporate governance practices, including its liquidity position.

ICRA also notes the deterioration in the financial flexibility of the company with an increase in promoter's share pledge to 85.5% of its holding in GEL in February 2025 from 79.8% in September 2024. The increase in share-pledge amidst a continuous decline in share price of GEL over the past few months can constrain the ability of GEL to raise capital to support its future growth plans. Moreover, the rating also factors in the business linkages of GEL with its promoter group entity, Blusmart Mobility Private Limited (Blusmart), which is a loss-making entity and recently delayed on its NCD payments, which in ICRA's opinion can also have an adverse impact on the financial flexibility and capital raising ability of GEL.

On the equity raising plans, as against ICRA's earlier expectations of equity infusion in GEL of Rs. 244 crore in FY2025 through preferential share warrants, only Rs. 140 crore has been infused till date, with the balance infusion to be deferred till December 2025, reflecting a delay of around one year compared to ICRA's previous expectation. Timely equity infusion is critical for GEL's growth plans, given the expected investment required for its various businesses. In this context, the promoters' stake dilution from 62.65% in end-December 2024 to 62.09% on February 19, 2025 (GEL's shares worth Rs. ~11.5 crore sold on 18 Feb 2025) increases the uncertainty surrounding fresh equity infusion plans.

[1] Approximately 50% of Rs. 250 crore was free of encumbrances as per the call transcript

Key rating drivers and their description

Credit strengths

Healthy order book position - GEL's order book is healthy with confirmed and unexecuted order book of more than Rs. 7,000 crore. These orders are to be executed over the next 12-18 months, imparting revenue visibility over the medium term. The growth in the EPC order book is driven by the energy transition goals of the country with focus on significantly scaling up the renewable energy capacity across India. Further, the current order book has orders majorly from government, semi-government and reputed private players which have an established track record of timely payment in the past, thus offsetting the counterparty credit risk to a large extent. However, availability of funds for execution of such a large order book remains unclear at the moment.

Credit challenges

Delays in debt servicing indicating liquidity challenges - The company has delayed in its debt servicing obligations as per feedback received from the lenders. GEL, in its latest public disclosures as well as in its recent communications with ICRA, had highlighted sizeable available liquidity to support its operations during its ongoing growth phase. GEL had also been sharing no-default statements with ICRA at the beginning of every month suggesting a timely debt servicing. However, ICRA has now learnt that certain documents shared by GEL with ICRA, on its debt servicing track record, were apparently falsified, which raises concerns on its corporate governance practices, including its liquidity position. Further, delays in debt servicing by more than 15 days to the bondholders of Blusmart in February 2025, points to lapses in liquidity management within the group.

Impact on financial flexibility of the Group owing to increase in share pledge and credit issues at GEL and Blusmart - The financial flexibility of the promoters has significantly been impacted, owing to increase in share pledge to 85.5% in February 2025 from 79.8% in September 2024, amidst continuous decline in share price of GEL over the last few months. Further at GEL, there is a delay in equity raise and infusion plans against earlier expectations.

Delays in the execution of contracts may adversely impact revenue growth and liquidity position - GEL has 10-11 large-sized orders which form more than 80% of the overall order book size. Most of these projects are currently in their initial stages, thus exposing the Group to risks associated with timely approvals, land acquisition and other execution related challenges which can cause major cost overruns. Delays in commissioning could lead to the levy of penalties/termination of orders. Further, the Group had won two standalone battery energy storage projects and one solar power project under the Kisan Urja Suraksha Evam Utthaan Mahabhiyan Yojana KUSUM) scheme with Gujarat Urja Vidyut Nigam Limited (GUVNL) as the offtaker. The battery storage projects are being implemented for the first time by the company exposing them to funding and execution risks.

Profitability exposed to raw material price risk; profitability at group level constrained by expected losses from EV manufacturing business in the near to medium term - The company has fixed-price contracts with its customers for its EPC order book, thus exposing it to raw material price variation risk. The solar EPC industry has witnessed business cycles in the past wherein solar module and other commodity prices have increased. Also, the company's consolidated margins are expected to be constrained by the expected operating losses in its EV manufacturing business in the near to medium, which is currently in its nascent stages of development.

Project execution and offtake risk for EV manufacturing facility - The company has been working on setting up its new EV manufacturing facility in Pune for developing two-seater EV fleet cars and EV cargo. A large portion of the planned capex for developing the vehicles will be incurred in FY2025 and FY2026. A timely completion of the capex within budgeted costs, along with a timely commencement of the commercial operations and a scale-up of the offtake remains crucial. The operations are also susceptible to initial stabilisation issues and uncertainty in demand for the new product, leading to operating losses in the initial years.

Intense competition, tender-based contract awarding system keep margins under check - GEL is currently a mid-sized player operating in an intensely competitive and fragmented solar EPC industry. Its competitors include EPC arms of independent power producers, established EPC players, and EPC arms of solar panel manufactures. It also faces competition from several smaller players, who provide O&M services for solar power projects. In addition, the EPC sector is competitive as it is a tender-based business. These factors tend to impact the profitability margins of EPC players.

High leverage led to moderate credit profile – At present, the company has high leverage on account of the long-term debt taken for its EV lease business. Its total debt was Rs. 1,512 crore as on March 31, 2024. This resulted in moderate capital structure and coverage with a gearing of 4.8x, total debt/ OPBDITA of 6.6x, interest cover of 2.1x and debt service coverage ratio of 1.4x as on March 31, 2024.

Environmental and social risks

GEL operates at multiple project sites simultaneously, and therefore, the risk of business disruptions on account of physical climate risks is low. The company is operating in green energy segments, such as EPC works for solar and battery projects and the EV leasing and manufacturing business. Therefore, the risks related to its business causing environmental harm or not meeting the emission norms/carbon footprint targets is low. However, there could be challenges in disposing the battery systems in its EV segment. Further, GEL has moderate exposure to social risks arising from challenges relating to acquisition/leasing of land, right-of-way (ROW), requirement for setting up its projects and transmission lines. Also, EPC players face social risks stemming from the health and safety concerns of workers, manifestation of which could invite regulatory or legal action, besides reputational harm.

Liquidity position: Poor

As there have been delays in debt servicing of the company as confirmed by some of GEL's lenders, the liquduity has been assessed as 'Poor'. The company is in a high growth phase, and with a highly working capital intensive nature of operations along with sizeable capex plans, the free cash flow (FCF) is expected to remain negative in FY2026. Moreover, the company's scheduled repayments remain elevated ranging between Rs. 350-400 crore in next fiscal. In order to fund this gap, GEL is expected to remain dependent on external funding. ICRA believes that in the light of the recent events, promoter's financial flexibility will be materially constrained.

Rating sensitivities

Positive factors – The rating can be upgraded on timely servicing of debt obligations for a continuous period of at least 3 months.

Negative factors – Not applicable

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy on Default Recognition
Parent/Group support	Not Applicable
Consolidation/Standalone	To arriving at the ratings, ICRA has considered the consolidated financials of GEL.As on March 31, 2024, GEL had eight subsidiaries that are enlisted in Annexure-I

About the company

GEL, established in 2012, is the flagship company of the Gensol Group. It specialises in providing engineering, procurement, and construction (EPC) services to the solar power sector. In 2023, GEL was listed on the National Stock Exchange and the Bombay Stock Exchange. It has expertise in executing turnkey solar projects globally, having installed ground-mounted, floating and rooftop solar installations of more than 770 MW. GEL had also won two battery energy storage system (BESS) projects to be implemented in Gujarat. GEL also provides comprehensive EV leasing solutions, catering to a diverse clientele that includes PSUs, educational institutions, government entities, multinational corporations, ride-hailing services, employee transport companies, rental services, logistics, and last-mile delivery enterprises. It has also diversified into the electric vehicle (EV) sector, setting up an EV production facility in Pune for manufacturing two-seater electric fleet cars and cargo targeted at the ride-hailing market and the logistics sector.

Key financial indicators (audited)

	FY2023	FY2024	9MFY2025
Operating income	398.0	963.1	1,053.0
PAT	23.3	53.4	67.5
OPBDIT/OI	20.8%	23.9%	23.1%
PAT/OI	5.9%	5.5%	6.4%
Total outside liabilities/Tangible net worth (times)	4.1	6.4	-
Total debt/OPBDIT (times)	7.2	6.6	-
Interest coverage (times)	3.4	2.1	1.35

Source: Company, ICRA Research; 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

	Current (FY2025)					Chronology of rating history for the past 3 years					
	FY2025					FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Mar 04, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based term loan	Long Term	925.0	[ICRA]D	Nov 28, 2024	[ICRA]BBB-(Stable)	-	-	-	-	-	-
				Nov 18, 2024							
				Nov 12, 2024	-	-	-	-	-	-	-
Fund based - Cash credit	Long Term	718.5	[ICRA]D	Nov 28, 2024	[ICRA]BBB-(Stable)	-	-	-	-	-	-
				Nov 18, 2024							
				Nov 12, 2024		-	-	-	-	-	-
Non fund based - BG	Long term/ Short term	406.5	[ICRA]D/[ICRA]D	Nov 28, 2024	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-	-	-	-	-
				Nov 18, 2024							
				Nov 12, 2024	-	-	-	-	-	-	-
BG (Sub-limit of CC limit)	Long term/ Short term	(51.3)	[ICRA]D/[ICRA]D	Nov 28, 2024	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-	-	-	-	-
				Nov 18, 2024							
				Nov 12, 2024		-	-	-	-	-	-
Fund based - Proposed	Long term	0.00	-	Nov 28, 2024	-	-	-	-	-	-	-
				Nov 18, 2024							
				Nov 12, 2024	[ICRA]BBB-(Stable)	-	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund-based - Term Loan	Simple
Long-term fund-based - Cash credit	Simple
Long term and short term - Non fund based - BG	Very Simple
Long term and short term - BG (Sub-limit of CC Limit)	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 analyzing 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, is available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Feb-2022	9.95%	Sep-2028	254.9	[ICRA]D
NA	Term Loan	Jan-2023	10%	Aug-2029	334.8	[ICRA]D
NA	Term Loan	Jul-2023	10%	Oct-2027	15.0	[ICRA]D
NA	Term Loan	Jun-2023	11%	Jun-2027	18.3	[ICRA]D
NA	Term Loan	Oct-2023	13%	Oct-2028	12.4	[ICRA]D
NA	Term Loan	Mar-2024	11.57%	Oct-2027	2.0	[ICRA]D
NA	Term Loan	Apr-2024	11.57%	Jul-2028	6.9	[ICRA]D
NA	Term Loan	Feb-2022	8-8.6%	Feb-2028/ Nov-2029	26.4	[ICRA]D
NA	Term Loan	NA	10%	Nov-2029	4.3	[ICRA]D
NA	Proposed Term Loan	NA	NA	NA	250.0	[ICRA]D
NA	Cash credit	NA	NA	NA	718.5	[ICRA]D
NA	Non-fund based - BG	NA	NA	NA	406.5	[ICRA]D/[ICRA]D
NA	BG (Sub-limit of CC Limit	NA	NA	NA	(51.3)	[ICRA]D/[ICRA]D

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	GEL Ownership	Consolidation Approach
Gensun Renewable Private Limited	51.00%	Full Consolidation
Gensol Utilities Private Limited	99.99%	Full Consolidation
Gensol Electric Vehicle Private Limited	58.08%	Full Consolidation
Gensol EV Lease Private Limited	88.21%	Full Consolidation
Scorpius Tracker Private Limited	54.37%	Full Consolidation
Green Energy Trading LLC – FZ	100.00%	Full Consolidation
Gensol Green Energy Private Limited	99.99%	Full Consolidation
Gensol Clean Energy Private Limited	99.99%	Full Consolidation

Source: Annual report of the company for FY2024

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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.

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