

## Grading Rationale

12 June 2020

### Godara Construction and General Suppliers

**Brickworks Analytics assigns “Solar Power (SP) Grading# for Decentralised Solar PV Applications” - System Integrator - of “SP 2C” to Godara Construction and General Suppliers (Firm). The Grading indicates “High Technical Capability” and “Moderate Financial Strength”.**

System Integrator	SP 2C
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BWA has principally relied upon the audited financials of FY17, FY18, FY19, provisional financials of FY20, projected financials of FY21 & FY22 and information/clarifications provided by the Firm’s management.

The grading has factored the partners' experience in the renewable energy industry and reputed clientele base, qualified & experienced technical team, tie-ups with reputed suppliers for procurement of solar components and MOU with reputed companies for technical support to complete the solar projects. The grading is, however, constrained by low scale of operations, stretched liquidity position, low net worth and its presence in a highly fragmented nature of the industry.

### **Background**

Godara Construction and General Suppliers, established in Jan 2010, is located in Uttarlai, Barmer (Rajasthan). The Partners of the Firm are Mr. Balaram Godara and Ms. Chandra Kiran Choudhary. The Firm is engaged in civil construction business on EPC basis. However, it entered into solar business also in the year 2016. Presently, the firm engaged in both civil construction on EPC basis and also in designing, installing and commissioning solar power plants. It provides the entire mechanical, electrical and civil work of the solar power projects. As per the information provided, the firm has a workforce of 71 employees comprising 1 Project manager, 1 project Coordinator, 1 planning manager, 3 administrative staff, 1 accountant, 7 Civil engineers, 4 Electrical engineers, 2 HSE Supervisors, 1 wire man and 50 electricians.

The firm is presently catering to the clients in Rajasthan state only. Main clientele of the firm include Military Engineering Services, Rajasthan. It procures the required solar equipment and raw material from Gujarat, Haryana and Gurgaon. The firm has professionally qualified and experienced technical team of two members who have more than 5 years of experience in solar related activities. It also has its team of civil, electrical and maintenance engineers to execute its contracts.

### **Technical Capability:**

#### ***Promoter's Track Record***

Mr. Balaram Godara and Ms. Chandra Kiran Choudhary, partners of the firm have around 4 years of experience in the solar industry with an overall work experience of more than a decade in construction contracts. Along with the Partners, the business operations of the firm is also

managed by the key managerial person - Mr. Sawai Ram who has over 5 years of experience in the solar industry.

#### ***Technical Expertise and Adequacy of Manpower***

Till now, the Firm has completed two solar projects with 1 MW capacity each to the satisfaction of clients - Military engineering Services. The Firm has an in-house experienced technical team of two members to carry out the project specific requirements. The team is professionally qualified and has around 5 years of work experience.

The firm has also entered into MOUs with existing MNRE channel partners for technical support in implementing the solar projects.

#### ***Quality of Suppliers and Tie-ups***

The Firm deals with various suppliers located in Gujarat, Haryana and Gurgaon. It procures solar related materials and equipment like solar inverters, solar PV panels, HT Switchgears and transformers etc from these places.

#### ***Customers and O&M Network***

Clientele base of the firm includes Military Engineering Services, Rajasthan. The Firm has a separate O & M team. Service of the installations is being looked after by the technical team.

The overall Technical Capability of the firm is considered to be **High**.

#### **Financial Strength**

**Sales:** Net sales of the firm have increased from Rs. 10.91 Crs in FY18 to Rs. 18.83 Crs in FY19. As per provisional financials submitted, the firm has achieved a revenue of Rs.16.50 crs in FY20

**Return on Capital Employed:** The firm has moderate ROCE of 22.23% in FY19.

**Total outside Liabilities/Tangible Net Worth:** TOL/TNW was high at 4.06 times in FY19 due to high creditors of Rs. 3.84 Crs. However total debt to equity ratio was 0.97 times which is at a moderate level.

**Interest Coverage:** Firm has moderate ISCR and DSCR of 3.08 and 2.17 in FY19.

**Net Worth:** Tangible Net-worth of the Firm stood at Rs. 1.24 Cr as on 31.03.2019.

**Conduct of Bank Account:** The Firm has availed OD limit of Rs. 50 Lacs with Kotak Mahindra Bank, Barmer branch, Rajasthan. The banker has confirmed that the conduct of the account is satisfactory.

**Current Ratio:** The firm has stretched liquidity position as indicated by Current Ratio of 0.98 times in FY19.

The Overall Financial Strength of the Firm is assessed to be **Moderate**.

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