

Gensol Engineering Ltd — 03 Mar 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	CARE BB+; Stable / CARE A4+ → CARE D (Downgraded to Default)
Outlook	N.A. (Revised from Previous: Stable)
Key Drivers of Change	Debt Servicing Failure: Ongoing delays in servicing term loan obligations as confirmed by lenders. Credit Deterioration: Account classified as SMA (Special Mention Account) by banks. Aggressive Leverage: Overall gearing spiked from 2.10x (FY23) to 4.32x (FY24), indicating over-leveraged growth. Poor Coverage: Interest coverage dropped from 2.08x (FY24) to 1.35x (9MFY25), leaving no margin for error.
Rated Instruments	LT Term Loan: ₹624.70 Cr
Key Observations	Revenue Illusion: 9MFY25 Revenue (₹1,053.02 Cr) already exceeds full-year FY24, yet the company cannot meet debt obligations. Liquidity Crisis: Officially categorized as "Poor" due to default status. Complex Structure: 18 consolidated subsidiaries across solar EPC, EV leasing, and EV manufacturing create significant capital redirection risks. Execution vs. Financing: While operational execution is high (EPC/O&M), financial management has completely decoupled from cash flow realities.
Investor Impact	Growth: High-growth trajectory is now halted; lack of credit access will freeze new EPC projects. Leverage: Gearing of 4.32x is unsustainable; asset sales or massive equity infusion required. Dilution Risk: Critical. To exit "Default" grade, company likely needs urgent equity capital, causing significant shareholder dilution. Valuation: Default rating typically triggers institutional selling and removes the stock from most "investable" mandates.
Agency / Cross Analysis	Same Agency (CARE): Massive deterioration since April 2024 (BB+ to D). What Changed: Last year's "Stable" outlook was based on growth; however, the actual cash flow failed to cover the ₹716 Cr debt pile. Financial Alignment: There is a stark mismatch between rising PAT (₹67 Cr in 9MFY25) and the inability to pay interest, suggesting profits are not translating into liquid cash (accrual vs. cash flow issue). Conclusion: Significant deterioration in credit culture and liquidity management.
Final Inference	Growth Trap: A classic case of "over-trading" where rapid revenue growth and EV diversification were funded by aggressive debt that the underlying cash flows could not support. For equity holders, this is a high-risk signal of insolvency despite "growing" financials.