

Press Release

22 March, 2017

Solex Energy Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.13.69 Cr.
Long Term Rating	SMERA B+/ Outlook: Stable
Short Term	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 13.69 crore bank facilities of Solex Energy Private Limited (Blr). The outlook is '**Stable**'.

Solex Energy Private Limited (SEPL) incorporated in 2014 is engaged in the assembling, fabrication and installation of solar lighting systems for state governments and semi government agencies across India. Prior to 2014, the company was a proprietorship concern under the name Sun Energy Systems. The commercial operations commenced in 2002. SEPL has executed ~100 projects in about eight states with a total capacity of ~20MW of power. The company assembles solar PV cells and has a capacity of around 30MW. The company's unit is located at Anand, Gujarat.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced promoters**

The promoter, Mr Kalpesh Patel, possesses extensive experience of over a decade in the solar industry.

- **Healthy revenue growth**

SEPL registered healthy revenue of 132 percent in FY2016 over the previous year on account of increase in the order book position. The company bagged order worth Rs.23.00 cr from PGVCL (Paschim Gujarat Vij Company Ltd.). The operating income stood at Rs.46.34 cr in FY2016 as compared to Rs.6.34 cr in FY2015. For 10MFY2017 (provisionals), the operating income stood at Rs.34.00 cr.

- **Moderate order book position**

SEPL's order book position is moderate. The company has orders in hand to the tune of Rs.12.00 cr.

Weaknesses

- **Below average financial risk profile**

The financial risk profile is below average marked by low net worth of Rs.1.98 cr as on 31 March 2016. The gearing stood at 1.96 times as on 31 March 2016 as compared to 4.09 times as on 31 March 2015.

The ICR stood at 2.21 times for FY2016 as compared to 2.01 times for FY2015. Further, the working capital utilisation is ~45 percent of its total limits

• Moderate working capital operations

The working capital operations are moderate with Gross Current Assets (GCAs) of 79 days in FY2016 as compared to 343 days in FY2015. The credit terms on government projects are 160 - 180 days.

• Competitive and fragmented industry

SEPL faces intense competition from large organised and unorganised players resulting in pressure on margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Solex Energy Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that the company will continue to maintain a stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially while maintaining its operating profitability and registering improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the company registered profit after tax (PAT) of Rs.0.36 cr on operating income of Rs.46.34 cr as against PAT of Rs.0.12 cr on operating income of Rs.6.34 cr in the previous year. The net worth stood at Rs.1.98 cr as on 31 March 2016 as compared to Rs.0.93 cr as on 31 March 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.10	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	30-Apr-2018	0.21	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	30-Jan-2021	0.88	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA A4

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ABOUT SMERA

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