

Press Release

Solex Energy Limited (Formerly Known As Solex Energy Private Limited)

June 05, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 13.69 Cr.
Long Term Rating	ACUITE BB (upgraded from B+) / Outlook: Stable
Short Term Rating	ACUITE A4+ (upgraded from A4)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating from ACUITE B+ (read as ACUITE B plus) to '**ACUITE BB**' (read as **ACUITE BB**) and short term rating from ACUITE A4 (read as ACUITE A4) to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.13.69 crore bank facilities of Solex Energy Limited (Formerly Known As Solex Energy Private Limited). The outlook is '**Stable**'.

The upgrade is driven by growth in revenue, net cash accruals and increase in net worth in FY 2018. Solex Energy Limited (previously known as Solex Energy Private Limited) incorporated in 2014 raised equity capital in FY2018 by IPO of 13, 80,000 equity shares of Rs.10/- each at a premium of Rs.42/- per share on 1 February, 2018 and the same was listed on 5 February, 2018 at NSE. The raise of equity capital contributed significantly to the increase of net worth from Rs. 3.60 crore in FY 2017 to Rs. 13.58 crore in FY 2018 (Provisional).

SEL is engaged in the manufacturing of solar panels, solar photovoltaic module, solar home light, solar street light, solar lantern, solar power plant, solar invertors, solar water heating system and wood-fired water heater in India. 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 (Managing Director) possesses experience of more than two decade in the solar industry. Backed by the experience of MD and other directors (in various other discipline) company has developed long term relations with the customers and suppliers.

- **Healthy revenue growth**

SEL registered healthy revenue growth of 197 percent in FY2018 (Provisional) over the previous year on account of increase in the order received. The operating income stood at Rs.101.24 crore in FY2018 (Provisional) as compared to Rs.34.10 crore in FY2017. The PAT margins also increased to 3.12 percent in FY2018 (Provisional) as compared to 2.67 percent in FY2017.

- **Diversified range of products**

SEL in a short span of 4 years has diversified its product range to solar panels, solar photovoltaic module, solar home light, solar street light, solar lantern, solar power plant, solar invertors, solar water heating system, water heater products and solar solutions.

Weaknesses

- **Working capital intensive operations**

The operations of SEL are working capital intensive though the Gross Current Assets (GCAs) of 183 days in FY2018 (Provisional) reduced from 248 days in FY2017 on account of reduction in debtor level.

• **Competitive and fragmented industry**

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

Analytical Approach

Acuite has considered standalone and financial risk profile of Solex Energy Limited to arrive at the rating.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook over the medium term from its experienced management. The outlook may be revised to 'Positive' if the 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 the increased sales volume, 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	101.24	34.10	46.34
EBITDA	Rs. Cr.	5.69	2.26	1.15
PAT	Rs. Cr.	3.16	0.91	0.36
EBITDA Margin	(%)	5.62	6.63	2.49
PAT Margin	(%)	3.12	2.67	0.78
ROCE	(%)	41.52	36.11	21.35
Total Debt/Tangible Net Worth	Times	0.46	0.33	1.96
PBDIT/Interest	Times	7.33	3.91	2.21
Total Debt/PBDIT	Times	1.07	0.50	2.82
Gross Current Assets (Days)	Days	183	248	97

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Mar-2017	Cash Credit	Long Term	INR 6.1	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 0.21	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 0.88	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	INR 6.5	ACUITE A4 (Assigned)
07-Dec-2016	Term Loan	Long Term	INR 0.34	ACUITE B+ / Stable (Suspended)
	Term Loan	Long Term	INR 1	ACUITE B+ / Stable (Suspended)
	Cash Credit	Long Term	INR 4.6	ACUITE B+ / Stable (Suspended)
	Bank Guarantee	Short Term	INR 5	ACUITE A4 (Suspended)
10-Sep-2015	Term Loan	Long Term	INR 0.34	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	INR 1	ACUITE B+ / Stable (Assigned)
	Cash Credit	Long Term	INR 4.6	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	INR 5	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.10	ACUITE BB/Stable (upgraded from B+)
Term loans	Not Applicable	Not Applicable	30-Apr-2018	0.54	ACUITE BB/Stable (upgraded from B+)
Proposed Bank facility	Not Applicable	Not Applicable	30-Jan-2021	0.55	ACUITE BB/Stable (upgraded from B+)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ (upgraded from A4)

Contacts

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About Acuité Ratings & Research:

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