

Press Release

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

June 08, 2021

Rating Withdrawn



| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs.13.69 Cr. |
| Long Term Rating | ACUITE BB- (Withdrawn) |
| Short Term Rating | ACUITE A4+ (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.13.69 crore bank facilities of Solex Energy Limited (SEL) (Formerly Known as Solex Energy Private Limited).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

About Company

SEL was incorporated in the year 2014 and promoted by Mr. Kalpesh Patel. The company 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).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SEL to arrive at the rating.

Key Rating Drivers

Strengths

- Experience management**

The promoter, Mr. Kalpesh Patel (Managing Director) possesses experience of more than two decades in the solar industry. Backed by the experience of MD and other directors (in various other discipline), the company has developed long term relations with the customers and suppliers.

Acuite believes that the company will continue to benefit from the partners' experience and their presence in the industry, improving its business risk profile over the medium term.

- Diversified range of products**

SEL has diversified its product range to solar panels, solar photovoltaic module, solar home light, solar street light, solar lantern, solar power plant, solar invertors and solar water heating system, water heater products and solar solutions.

- Moderate financial risk profile**

SEL financial risk profile stood moderate marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.22.07 crore as on March 31, 2020 as against Rs.17.91 crore as on March 31, 2019. The total debt of the group stood at Rs.5.09 crore includes Rs.0.17 crore of long term debt and Rs.4.92 crore of short term debt as on March 31, 2020. The gearing (debt-equity) stood low at 0.23 times as on March 31, 2020 as compared to 0.36 times as on March 31, 2019. Interest Coverage Ratio stood at 6.75 times for FY2020 as against 10.91 times for FY2019. Debt Service Coverage Ratio (DSCR) stood at 4.02 times in FY2020 as against 6.54 times in FY2019. Total outside Liabilities/Total Net Worth

(TOL/TNW) stood high at 2.21 times as on March 31, 2020 as against 2.97 times on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.94 times for FY2020 as against 0.86 times for FY2019.

Acuite believes that the financial risk profile of SEL will continue to be moderate over the medium term.

Weaknesses

• Intensive working capital cycle

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 176 days in FY2020 as against 160 days in FY2019. The receivable days stood at 147 days in FY2020 as against 136 days in FY2019. The inventory days stood at 14 days in FY2020 as against 15 days in FY2019. The average bank limit utilization stood at 87 percent for the last 6 months ended March 2021.

Acuite believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

• Competitive and fragmented industry

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

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.80-5.60 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.0.17-0.33 crore over the same period. The company working capital operation is intensive marked by gross current asset (GCA) of 176 days in FY2020 as against 160 days in FY2019. The company maintains an unencumbered cash and bank balances of Rs.0.58 crore as on March 31, 2020. The current ratio of the company stood at 1.43 times as on March 31, 2020. The average bank limit utilization stood high at around 87 percent for the last 6 months ended March 2021.

About the Rated Entity - Key Financials

| | Unit | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 138.07 | 149.07 |
| PAT | Rs. Cr. | 4.45 | 4.97 |
| PAT Margin | (%) | 3.22 | 3.34 |
| Total Debt/Tangible Net Worth | Times | 0.23 | 0.36 |
| PBDIT/Interest | Times | 6.75 | 10.91 |

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|--|
| 03-Nov-2020 | Cash Credit | Long Term | 6.10 | ACUITE BB- (Downgraded & Issuer not Cooperating*) |
| | Term Loan | Long Term | 0.54 | ACUITE BB- (Downgraded & Issuer not Cooperating*) |
| | Bank Guarantee | Short Term | 6.50 | ACUITE A4+ Issuer not Cooperating* |
| | Proposed Bank Facility | Long Term | 0.55 | ACUITE BB- (Downgraded & Issuer not Cooperating*) |
| 10-Aug-2019 | Cash Credit | Long Term | 6.10 | ACUITE BB Issuer not Cooperating* |
| | Term Loan | Long Term | 0.54 | ACUITE BB Issuer not Cooperating* |
| | Bank Guarantee | Short Term | 6.50 | ACUITE A4+ Issuer not Cooperating* |
| | Proposed Bank Facility | Long Term | 0.55 | ACUITE BB Issuer not Cooperating* |
| 05-Jun-2018 | Cash Credit | Long Term | 6.10 | ACUITE BB/Stable (Upgraded) |
| | Term Loan | Long Term | 0.54 | ACUITE BB/Stable (Upgraded) |
| | Bank Guarantee | Short Term | 6.50 | ACUITE A4+ (Upgraded) |
| | Proposed Bank Facility | Long Term | 0.55 | ACUITE BB/Stable (Upgraded) |

*The issuer did not co-operate; based on best available information.

***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 | ACUITE BB- (Withdrawn) |
| Term Loan | Feb-2016 | 10.90 | Aug-2021 | 0.47 | ACUITE BB- (Withdrawn) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 6.50 | ACUITE A4+ (Withdrawn) |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 0.62 | ACUITE BB- (Withdrawn) |

Contacts

| Analytical | Rating Desk |
|---|--|
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About Acuité Ratings & Research:

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