

Press Release

Solex Energy Limited (Formerly Known As Solex Energy Private Limited)
April 23, 2024



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	63.95	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A3 Assigned
Bank Loan Ratings	35.75	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	129.70	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 99.70 Cr. bank facilities of Solex Energy Limited (SEL) (Formerly known as Solex Energy Private Limited). The outlook is '**Stable**'.

Acuite has assigned its long-term rating to '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 30.00 Cr. bank facilities of Solex Energy Limited (SEL) (Formerly known as Solex Energy Private Limited). The outlook is '**Stable**'.

Rationale for the rating

The rating reaffirmation reflects the strong established track record of the company along with experience of the current management of more than 15 years in the industry. The rating also factors in the strong operating performance of the company in recent years reflected by a revenue growth of 124 percent to Rs 161.71 crore in FY2023 against Rs 72.25 crore in FY2022, Further in H1FY24 the company achieved a sales of Rs.93.04 crores. The rating also factors in the change in revenue mix of the company with more focus on manufacturing of solar modules resulting in better operating margins. Further, the order book of the company stood healthy with more than Rs 131 crore order as on date for Q1FY25, providing a healthy revenue visibility over the medium term. Further, it considers the moderate financial risk profile of the company with gearing stood at 1.23 times as on 31 March, 2023. These strengths are however partly offset by the intensive working capital operations of the company.

About the Company

Solex Energy Limited (SEL, formerly known as Solex Energy Private Limited) was established in the year October 2014 and engaged in the Manufacturing of Solar PV Panels and Solar EPC Services including construction contracts for solar power plants, solar water pumps, solar water heating systems among others. The company offers a wide range of solar products such as mono/multi-crystalline solar photovoltaic modules, solar lanterns, solar streetlights, solar water pumps, and solar inverters. The manufacturing facility of SEL is located in Tadkeshwar, Mandvi, Surat. The current capacity of the unit is around 600 MW. The company started its operations on this enhanced capacity from October 2022. Solex Energy Limited was listed on

NSE emerge platform on February 2018.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations.

SEL has long track record of operations in solar modules manufacturing. The company started manufacturing PV modules in year 2014. SEL is spearheaded by a team of qualified and experienced professionals including Mr. Kalpesh Kumar Patel, Mr. Chetan Shah, Mr. Anil Rathi, Mr. Vipul Shah and Mr. Piyush Chandak among others. Mr. Chetan Shah, Managing Director of company has an experience of over 15 years in the renewable energy industry. With the commission of enhanced capacity in October 2022, the revenue of SEL has grown by 124 percent to Rs.161.71 crore in FY2023 as against Rs.72.25 crore in FY2022. Further FY24 was marked as first full year of enhanced capacity utilizations for the company, as on H1FY24 the company had marked sales of Rs.93.04 crore. Acuite believes that the realizations of the company will further grow in coming years on account of higher order inflows and better revenue mix with more focus on PV module manufacturing. The current order book of the company as on date stands at more than Rs.131.00 crore for the Q1FY25 providing a healthy revenue visibility over the medium term. The operating margins of the company increased to 7 percent in FY2023 as against 2.62 percent in FY2022 and it has increased further to 9.42 percent in H1FY24. Acuite believes it will increase further on account of better revenue mix wherein the share from manufacturing of PV modules which is a better margin segment has increased to 41.49 percent in FY 2023 to 1.27 percent in FY 2022. The PAT margins of the company increased to 1.68 percent in FY2023 as against 1.37 percent in FY2022.

Acuite believes that going forward the established track record of operation, experienced management and better revenue mix will help SEL to realize higher revenue and better margins.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate, marked by moderate net worth, low gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs. 46.48 crore as on 31 March 2023 as against Rs. 34.97 crore as on 31 March 2022. The increase in net worth was on account of considering the unsecured loan of amount Rs. 8.93 crore from promoter as quasi equity, which will remain in the business till the continuation of term loan. The total debt of the company stood at Rs. 57 crore which includes term loan of Rs. 42.1 crore and short-term debt of Rs.14.90 crore as on 31 March 2023. The company follows a conservative financial policy reflected through its peak gearing (debt-equity) at 1.23 times. The debt-equity stood at 1.23 times as on 31 March 2023 as compared to 0.61 times as on 31 March 2022 and 0.51 times as on 31 March 2021. Company has recently enhanced its short term limit by Rs. 30 crores. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.03 times as on 31 March 2023 as against 1.13 times as on 31 March 2022. Further, the debt protection metrics stood moderate with Interest Coverage Ratio stood at 2.49 times for FY2023 as against 2.97 times for FY2022 and Debt Service Coverage Ratio (DSCR) stood at 2.14 times in FY2023 as against 1.23 times in FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.13 times for FY2023 as against 0.06 times for FY2022. Acuite believes that going forward the financial risk profile of the company is likely to remain moderate with no major debt-funded capex plan and steady cash accruals.

Weaknesses

Working Capital Intensive operation

The working capital management of the company is intensive, marked by GCA days of 176 days in FY23 as against 221 days in FY22. The company maintained inventory levels of around 74 days in FY23 and FY22. Generally, the company has a 90 day cycle of converting raw materials to finished goods. Subsequently, the debtor's collection period stood at 68 days in FY23 as against 105 days for FY22. The improvement in debtors is majorly due to reduction of share of EPC business in FY 2023 wherein realisations are comparatively take longer. Going ahead this will reduce even more as there is no credit period for the contract PV manufacturing business as compared to EPC business wherein majority of the contracts are from government. Furthermore, the creditor days stood at 81 days in FY23 as against 78 days in FY22. As a result, the reliance on working capital limits was marked moderate reflected by average utilization of around ~80 percent for last 08 months ended March' 2024.

Acuite believes that the working capital operation of SEL will improve going ahead on account of improved debtors collections.

Rating Sensitivities

- Significant increase in order book and execution capabilities, leading to improvement in financial and business risk profile of the company.
- Improving its working capital operations.
- Timely execution of the contracts leading to long relation with the clients

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by moderate net cash accruals against the maturing debt obligations. The company generated sufficient net cash accruals of Rs.7.25 Crore in FY2023 against its maturing repayment obligations of Rs.0.41 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.15.00 to 23.00 crore against the maturing repayment obligations of around Rs.6.00 to 6.50 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 176 days in FY2023 as against 221 days in FY2022. The reliance of working capital limits is reflected by average utilization of around ~80 percent for last 08 months ended March' 2024. The company maintains unencumbered cash and bank balances of Rs. 0.12 crore as on March 31, 2023. The current ratio stood at 1.35 times as on March 31, 2023, as against 1.81 times as on March 31, 2022.

Acuite believes the liquidity position of the company may continue to remain adequate with steady cash accruals against maturing debt obligations and improving working capital operations.

Outlook: Stable

Acuite believes the outlook on SEL will continue to remain 'Stable' over the medium term backed by its experienced management and better revenue mix with healthy order book position. The outlook may be revised to 'Positive' if the company is able to acquire more module manufacturing contracts which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by SEL leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	161.71	72.25
PAT	Rs. Cr.	2.71	0.99
PAT Margin	(%)	1.68	1.37
Total Debt/Tangible Net Worth	Times	1.23	0.61
PBDIT/Interest	Times	2.49	2.97

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Aug 2023	Stand By Line of Credit	Short Term	15.75	ACUITE A3 (Assigned)
	Stand By Line of Credit	Short Term	20.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	30.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.92	ACUITE BBB- Stable (Assigned)
	Proposed Term Loan	Long Term	0.03	ACUITE BBB- Stable (Assigned)
08 Jun 2021	Term Loan	Long Term	0.47	ACUITE BB- (Reaffirmed & Withdrawn)
	Proposed Long Term Bank Facility	Long Term	0.62	ACUITE BB- (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	6.10	ACUITE BB- (Reaffirmed & Withdrawn)
	Bank Guarantee (BLR)	Short Term	6.50	ACUITE A4+ (Reaffirmed & Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.04	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.75	ACUITE A3 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A3 Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3 Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	01 Apr 2023	Not avl. / Not appl.	31 Oct 2030	Simple	8.92	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	01 Apr 2023	Not avl. / Not appl.	31 Dec 2032	Simple	4.77	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	01 Nov 2021	Not avl. / Not appl.	31 Oct 2030	Simple	24.92	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2027	Simple	1.00	ACUITE BBB- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2024	Simple	0.30	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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