

## Alpex Solar Private Limited

April 8, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE B+; Stable (Single B Plus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4 (A Four) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> <b>(Rs. Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale and Key Rating Drivers

CARE has reviewed and reaffirmed the rating assigned to the bank facilities of Alpex Solar Private Limited (ASPL) to CARE B+; Stable/CARE A4 (Single B Plus; Outlook: Stable/A Four) and has simultaneously withdrawn it, with immediate effect. The rating factors in the constraints relating to company's modest and declining scale of operations, competitive nature of industry, foreign exchange fluctuation risk and exposure to volatility in raw material prices. The ratings, however, continue to take comfort from experienced management, association with established customer, moderate profitability margins, moderate capital structure and debt coverage indicators and moderate operating cycle.

The rating withdrawal is at the request of Alpex Solar Private Limited and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Modest and declining scale of operations

The scale of operations continues to be modest and declining as marked by total operating income of Rs.92.61 crore in FY20 as against Rs.102.49 crore in FY19 on account of change in Government Policy regarding procurement and sale of solar panels by CPSU (Central public sector undertaking). Further, the net worth base of the company stood relatively modest at Rs.32.94 crore as on March 31, 2020. Further, during 12MFY21(based on provisional results), the company has achieved a turnover of Rs.130 crore.

##### Competitive Nature of the industry

ASPL faces direct competition from various organized and unorganized players in the market. There are number of small and regional players and catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins.

##### Foreign exchange fluctuation risk

The business operations of ASPL involve imports resulting in cash outflow in foreign currency. The import contributes around 40% of total purchase for FY20 thereby exposing ASPL to volatility in foreign exchange rates. Also, The Company has a policy of hedging 50% of its foreign currency payable and rest 50% is remains unhedged which still exposes the company to any sharp depreciation in the value of rupee against foreign currency for the uncovered portion.

##### Exposure to volatility in raw material prices

ASPL procures the raw materials from domestic players as well as from international players on requirement basis. The finished goods as well as raw material prices of solar cells are volatile in nature. The finished goods price moves in tandem with raw material prices, but with a time lag. Since the raw material is the major cost driver, any decline in finished goods price with no decline in raw material price result in adverse performance of the company. As the entity does not have any backward integration for its primary raw materials and procures the same from outside, it is exposed to price volatility.

### Key Rating Strengths

#### Experienced management

The overall operations of Alpex solar Private Limited (ASPL) are being managed by Mr. Ashwani Sehgal, Mrs. Monica Sehgal and Mr. Vipin Sehgal who possess experience of more than three decades in the solar industry through their association with this entity. The company is formally known as Alpex Exports Private Limited till 2008 and engaged in trading of knitting needles. Since 2008-09, the company is engaged in manufacturing of Solar panels which is used in electricity generation. On account of its long track record and experience of the directors in the industry the company has been able to maintain healthy relationships with its customers and suppliers for long.

### Association with established customers

Alpex Solar Private Limited (ASPL) provides solar panels and solar water pumps and other trading items to the Public sector undertakings and also to private companies like NTPC Limited, TATA Motors Limited (CARE AA-; Stable/CARE A1+), Hindustan aeronautics Limited (CARE AA+; Stable/ CARE A1+), Government of Rajasthan, Punjab and Himachal Pradesh. In FY20 (Prov), the company got the orders of Rs. 320.00 crores. This includes Rs. 210.00 crores orders from NTPC Limited to be delivered in next 2 Years. and, Further, Rs. 60.00 crores order from TATA Power Limited and Rs. 50.00 crores from Luminous Power System Private Limited to be delivered in next year. The association with reputed customer results in higher revenue visibility and increased presence in the market.

### Moderate profitability margins

The profitability margins continue to be moderate as marked by PBILDT and PAT margins of 7.45% and 3.08% respectively in FY20 as against 5.53% and net loss margin of 1.25% respectively in FY19.

### Moderate Capital Structure and debt coverage indicators

The capital structure continues to be moderate as marked by overall gearing of 0.63x as on March 31, 2020 as against 0.79x as on March 31, 2019 on account of lower utilization of working capital limits as on balance sheet date and repayment of term loans coupled with accretion of profits to reserves. Further, unsecured loans to the tune of Rs.0.98 crore were treated as Quasi Equity in FY19. In case of non-availability of information regarding the same for FY20, the entire unsecured loans are treated as a part of total debt.

Owing to moderate profitability and satisfactory debt levels, the debt coverage indicators continue to be moderate as marked by interest coverage and total debt to GCA of 1.92x and 4.02x respectively for FY20 as against 1.12x and 19.10x respectively for FY19.

### Moderate operating cycle

The operating cycle stood at 72 days in FY20 as against 75 days in FY19. The improvement in operating cycle is mainly because of decreasing inventory holding period as company change the policy of inventory holding. The company is required to maintain adequate inventory of raw material and work-in-progress for smooth running of its production processes and in form of finished goods to meet its customers' demand resulting in average inventory holding period of around 50 days in FY20 as against 57 days in FY19. The company extends credit period of around 2-3 month to its customer's (mainly its group associate) resultant into average collection period of 92 days in FY20 as against 93 days in FY19. The company receives credit period of around 2 months from its suppliers resultant into average creditor days at 70 days in FY20 as against 75 days in FY19.

**Liquidity:** The liquidity remained stretched as marked by current and quick ratios of 1.26x and 0.96x respectively as on March 31, 2020. The company had not availed the moratorium on its bank facilities as per RBI guidelines in wake of Covid-19 pandemic.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Manufacturing Companies](#)

### About the company

New Delhi based, Alpex Solar Private Limited (ASPL) was incorporated in 1993 by Mr. Ashwani Sehgal, Mrs. Monica Sehgal. It is currently being managed by Ashwani Sehgal, Mrs. Monica Sehgal and Vipin Sehgal. The company is formally known as Alpex Exports Private Limited till 2008 and engaged in trading of knitting needles. Since 2008-09, the company is engaged in manufacturing of Solar panels which is used in electricity generation. The manufacturing facility of the company is located at Gautam Budh Nagar in Noida, Uttar Pradesh. The manufacturing process involves the assembling of solar cells and other raw material like solar glass, aluminium frame, EVA, back sheets, ribbon, junction box and other consumables to form solar panels.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	102.49	92.61
PBILDT	5.67	6.90
PAT	-1.29	2.85
Overall gearing (times)	0.79	0.63
Interest coverage (times)	1.92	1.12

A: Audited

**Status of non-cooperation with previous CRA:** CRISIL continues to place the ratings under non-cooperation due to non-submission of requisite information by the entity as per its press release dated March 30, 2021.

India Ratings has placed its ratings under non-cooperation due to non-submission of requisite information by the entity as per its press release dated May 8, 2019.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE B+; Stable (04-Dec-20)	-	-	-
2.	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A4 (04-Dec-20)	-	-	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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