Knack Energy Private Limited

April 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	47.47	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	25.00	CARE BB+; Stable / CARE A4+	Assigned
Short Term Bank Facilities	32.50	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Knack Energy Private Limited (KEPL) remained constrained by its moderate capital structure and debt coverage indicators as well as stabilisation risk associated with its recently concluded debt-funded solar panel capex. Ratings also factor risk associated with profitability susceptible to raw material fluctuation, forex and company's presence in competitive solar renewable industry.

Ratings, however, derive comfort from experienced promoter group, growing scale of operations and profitability along with reputed clientele and adequate liquidity position. Ratings also factor thrust of government in renewable energy sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) to above Rs.200 crore owing to stabilisation of solar panel project along with maintaining operating margins above 12%.
- Improvement in capital structure marked by overall gearing below 1.5x on sustained basis.

Negative factors

- Additional debt funded CAPEX leading to moderation in overall gearing to more than 3x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the entity shall benefit from its reputed clientele and experienced promoters, which shall enable it to scale-up TOI in the medium term.

Detailed description of key rating drivers:

Key weaknesses

Moderate capital structure and debt coverage indicators

Capital structure remained moderate at 2.24x as on January 31, 2025, against 5.95x as on March 31, 2024. Capital structure although remained moderate, the improvement is owing to improved net worth base on account of unsecured loans being considered quasi equity as per terms of lender's sanction letter and accretion of profits to reserves. Interest coverage remains moderate at 3.19x for 10MFY25 against 2.86x for FY24.

Stabilisation risk of recently completed solar panel project

KEPL has completed debt-funded project of 363 MW solar panel manufacturing at Mehsana district, Gujarat at a total cost of ~Rs.49 crore funded through term debt of Rs.35.15 crore and balance through unsecured loan and equity contribution. Plant has been set up and commercial operations commenced from February 2025. With recently commenced operations for solar PV modules, there exists project stabilization risk to achieve envisaged scale of operations and profitability margins. Scaling up of operations from FY26 onwards will remain key monitorable.

Profitability susceptible to volatile raw material (RM) prices and forex risk

RM for solar PV Encapsulants and backsheets are granules which KEPL largely imports. Prices of granules are linked with crude prices and hence fluctuations in crude prices led to volatile RM prices for KEPL. RM constitute ~90% of total cost of production. Further key RM for solar panel manufacturing include poly silicon, solar cells, glass, EVA sheet, encapsulant, aluminium panel, etc. Solar cells constitute around 40-45% of total RM requirement, aluminium panels constitute ~15-20% of requirements. Prices

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

of both these components are volatile. Almost 70% of RM requirement is imported from China, mainly solar cells, exposing KEPL to forex risk. However, KEPL has been able to generate forex gain of Rs.0.07 crore in 10MFY25 against Rs.0.33 crore in FY24.

Presence in competitive industry
The solar PV module industry is highly competitive, with significant competition from Chinese manufacturers and around 100 domestic PV module manufacturers. Additionally, government initiatives to boost domestic manufacturing has led to substantial capacity expansions by leading manufacturers. These factors cumulatively have led to an excess supply in the domestic market and has intensified competitive intensity and potentially impact profit margins.

Key strengths

Experienced promoter group
KEPL is a part of Ahmedabad, Gujarat based Knack group with flagship company Knack Packaging Private Limited (rated CARE A-; Stable/ CARE A2+). Promoters have more than 4 decades of experience with their diversified businesses spanning across mining, packaging, construction and solar equipment. Key promoters of KEPL are Mr. Jay Patel, Mr. Ravi Patel and Mr. Rashmin Patel. Roles and responsibilities are assigned to each promoter who oversees functions of KEPL. Further, promoters are supported by Tier-II management which aids in key decision making.

Growing scale of operations and profitability
KEPL is engaged in manufacturing of EVA encapsulants and back sheets since FY23 and further commenced operations of solar PV module from February 2025. TOI improved owing to stabilization of operations and remained at Rs. 95.82 crore in FY24 against Rs.29.58 crore in FY23. In 10MFY25, KEPL reported Rs.104.01 crore of TOI. Capacity utilisation of EVA encapsulants and back sheets remained moderate at 67% in 9MFY25 against 60% in FY24. KEPL reported PBILDT margin of 11.97% in FY24 vis-à-vis 6.38% in FY23. Further, KEPL reported PBILDT margin of 12.60% in 10MFY25. PAT margins also remained healthy at 5.48% in 10MFY25 against 5.10% in FY24.

Reputed Clientele
KEPL have a reputed customer base of companies engaged in solar EPC work such as Gautam Solar Private Limited, Adm Solar Power and Infrastructure, Raajratna Ventures Limited, Insolation Green Energy Private Limited, Fujiyama Power Systems Private Limited among others. Top 10 customers contribute ~57% of TOI in 9MFY25 against 62% in FY24. Further, KEPL has moderate orderbook pertaining to solar PV modules of around Rs. 145 crore which are expected to be executed in FY26. These orders are from reputed players such as Axitec Energy India Private Limited, Solbridge Energy Private Limited, Kosol Energie Private Limited, etc.

Favourable market demand for domestic manufacturers and thrust of government in renewable energy sector
Owing to limited domestic manufacturing capacities in India, Solar power sector is heavily dependent on imported solar cells and modules. The Government of India (GOI) has undertaken various measures to promote local manufacturing. To provide an impetus to domestic manufacturers, the GOI has also imposed Basic Customs Duty (BCD) and Anti-dumping Duties (ADD) on import of renewable power components. Thus, considering India's huge solar targets and support from government, the demand outlook for solar modules and its components stands favourable.

Liquidity: Adequate

Liquidity of KEPL is adequate market by sufficient gross cash accruals (GCA) vis-a-vis term debt repayment obligation, moderate utilisation of working capital limits, moderate operating cycle, healthy cashflow from operations and free cash and bank balance. GCA is expected to remain in range of Rs. 9-17 crore in FY25 to FY27 which is adequate to service term debt obligations of Rs.1.5-8 crore. The operating cycle of KEPL remained moderate at 51 days in FY24 on account of average collection period of 52 days, inventory holding period of 28 days and creditor payment period of 28 days. KEPL reported cashflow from operations of Rs. 8.24 crore for FY24. Free cash and liquid balance stood at Rs. 3.66 crore as on January 31, 2025. Average utilisation of WC limits remained ~50-55% for past 12 months ended January 2025.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Incorporated in 2021, KEPL is a part of Ahmedabad based Knack group. KEPL is promoted by Mr. Jay Patel, Mr. Ravi Patel, Mr. Tulsi Patel, Mr. Rashmin Patel, Mr. Alpesh Patel and family members. KEPL commenced its operations from FY23 to manufacture Solar PV encapsulants (EVA) and Solar PV backsheet having installed capacity of 4800 MTPA and 3000 MTPA respectively. KEPL has recently concluded debt funded capex to manufacture solar panels based on TOPCon Bi-facial Glass technology having installed capacity of 363 MW. Commercial operations of solar panel have commenced from February 2025 onwards from its plant located at Mehsana, Gujarat.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25 (P)
Total operating income	29.58	95.82	104.01
PBILDT	1.89	11.47	13.10
PAT	-0.40	4.88	5.70
Overall gearing (times)	NM	5.95	2.24
Interest coverage (times)	1.67	2.86	3.19

A: Audited P: Provisional; NM: Not meaningful; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-09-2031	47.47	CARE BB+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	25.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A4+
Non-fund-based - ST-ILC/FLC		-	-	-	32.00	CARE A4+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	25.00	CARE BB+; Stable / CARE A4+				
2	Non-fund-based - ST-ILC/FLC	ST	32.00	CARE A4+				
3	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A4+				
4	Fund-based - LT-Term Loan	LT	47.47	CARE BB+; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
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