# Alpex Solar Private Limited

December 04, 2020

**Rating**

| Facilities | Amount (Rs. crore) | Rating[1] | Remarks |
|---|---|---|---|
| Long term Bank Facilities | 12.00 | CARE B+; Stable (Single B Plus; Outlook: Stable) | Assigned |
| Short term Bank Facilities | 17.00 | CARE A4 (A Four) | Assigned |
| Total facilities | 29.00 (Rs. Twenty- Nine crore Only) | | |

*Details of facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of Alpex Solar Private Limited (ASPL), is constrained by small and declining scale of operations and stretched liquidity position. The Rating is further constrained by competitive nature of the industry, foreign exchange fluctuation risk, exposure to volatility in raw material prices. The rating however draws comfort from experienced management, association with established customers, moderate profitability margins, moderate capital structure and debt coverage indicators and moderate operating cycle.

**Rating Sensitivities**

**Positive Factors:**

- Improvement in scale of operations as marked by total operating income of Rs.150 crore and above on a sustained basis

**Negative Factors:**

- Decline in profitability margins as marked by PBILDT and PAT margins of 15% and 5% respectively on a sustained basis.
- Deterioration in capital structure as marked by overall gearing ratio of above 1.50x on a sustained basis.

**Detailed description of the key rating drivers**

**Key Rating Weaknesses**

**Small and declining scale of operations**

The scale of operations of ASPL stood small and decline with total operating income (TOI) and gross cash accruals of Rs.94.63 crore and Rs. 5.20 crores in FY20 (Prov.) as compare to Rs. 102.49 crores and Rs. 1.29 crores respectively in FY19 (A) on account of change in Government Policy regarding procurement and sale of solar panels by CPSU (Central public sector undertaking). The net worth base stood moderate at Rs. 32.51 crores in FY20 (Prov) as against Rs. 30.09 crores in FY19.Moreover, as per the management, the company has achieved revenue of about Rs. 62.00 crore up to October 30, 2021.

**Stretched Liquidity Position**

The Liquidity position is stretched as marked by high utilization of bank Limits around 95%. However, the repayment obligations stood at Rs. 0.98 crores in FY20 (Prov) as against Gross Cash accruals of Rs. 5.20 crores in FY20 (Prov). The current ratio and quick ratio stood moderate at 1.23x and 0.98x respectively as on March 31, 2020 (Prov). The company has not availed moratorium facility as provided by the bank in lines with RBI guidelines in wake of COVID-19 from April 2020 to August 2020.

***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. The LC backed creditors in FY20 (Prov.) is Rs. 9.12 crores out of the total purchase of Rs. 73.86 crores. Also, The Company has a policy of

[1]*Complete definitions of the ratings reaffirmed are available at www.careratings.com and in other CARE publications.*
**Issuer did not cooperate; Based on best available information*

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 (IND AAA; Stable/IND A1+), TATA Motors Limited (CRISIL AA-; Negative/ CRISIL 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 (2 Years contract) which will be delivered in December' 2021 having 1 year delivery period, Rs. 60.00 crores order from TATA Power Limited and Rs. 50.00 crores from Luminous Power System Private Limited. The association with reputed customer results in higher revenue visibility and increased presence in the market.

**Moderate profitability margins**

The profitability margins of the company stood moderate marked by the PBILDT margin stood 9.92% in FY20 (Prov) as against 5.53% in FY19 on account of decrease in cost of material consumed and also change in product mix by selling high margins items to govt sector. The PAT margins have improved significantly over the period in line with PBILDT margin and stood moderate at 2.57% in FY20 (Prov) as against negative1.25% in FY19.

**Moderate Capital Structure and debt coverage indicators**

In FY20 (Prov.) the capital structure includes Term loan (LAP) of Rs. 2.93 crores, Vehicle Loan of Rs. 0.04 crores, Unsecured loan from Related Party is Rs. 2.79 crores and from banks is Rs. 0.04 crores and working capital borrowings of Rs. 13.56 crores and Net Worth stood Rs. 32.51 crores. The capital structure stood moderate, marked by debt equity ratio and overall gearing stood at 0.18 x and 0.60x respectively as on March 31, 2020 (Prov) as against 0.31x and 0.79x as on March 31, 2019. The Improvement in capital structure can be attributable to repayment of term debt obligations as on balance sheet date coupled with satisfactory net worth base.

The coverage indicators as marked by interest coverage and Total debt to GCA stood moderate at 2.24x and 3.73x respectively for FY20 (Prov.) as against 1.12x and 19.10x respectively for FY19. The improvement is on account of increase in PBILDT resulting in increase in gross cash accruals and decline in total debt levels in FY20 (Prov.).

***Moderate operating cycle***

The operating cycle stood at 67 days in FY20 (Prov.) 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 46 days in FY20 (Prov) 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 95 days in FY20 (Prov) as against 93 days in FY19. The company receives credit period of around 2 months from its suppliers resultant into average creditor days at 73 days in FY20 (Prov) as against 75 days in FY19. The average working capital limits remained high utilized around 95%.

**Analytical Approach**: Standalone

**Applicable Criteria:**
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
CARE's methodology for Manufacturing companies
Liquidity Analysis of Non-Financial Sector Entities
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments

**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, junkson box and other consumables to form solar panels.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) | FY20 (P) |
|---|---|---|---|
| Total operating income | 272.91 | 102.49 | 94.63 |
| PBILDT | 10.47 | 5.67 | 9.39 |
| PAT | 0.43 | -1.29 | 2.43 |
| Overall gearing (times) | 1.14 | 0.79 | 0.60 |
| Interest coverage (times) | 1.87 | 1.12 | 2.24 |

*A: Audited, P: Provisional*

**Status of non-cooperation with previous CRA:** Not Applicable

**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 | - | - | - | 12.00 | CARE B+; Stable |
| Non-fund-based - ST-BG/LC | - | - | - | 17.00 | CARE A4 |

**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 | 12.00 | CARE B+; Stable | - | - | - | - |
| 2. | Non-fund-based - ST-BG/LC | ST | 17.00 | CARE A4 | - | - | - | - |

**Annexure 3: Detailed Explanation of Covenants of the rated instruments/ 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 |

***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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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