Insolation Energy Private Limited

January 21, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	3.88	**CARE BB-; Stable ; ISSUER NOT COOPERATING* (Double B Minus, Outlook: Stable; ISSUER NOT COOPERATING*)**	"Issuer not cooperating; Based on best available information"
Long-term/Short-term Bank Facilities	6.00	**CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING* (Double B Minus, Outlook: Stable/ A Four; ISSUER NOT COOPERATING*)**	"Issuer not cooperating; Based on best available information"
Short-term Bank Facilities	0.50	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	"Issuer not cooperating; Based on best available information"
Total	**10.38 (Rupees Ten Crore and Thirty Eight Lakhs only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key rating Drivers

Insolation Energy Private Limited (IEPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on IEPL's bank facilities will now be denoted as **CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING*.**

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Insolation Energy Private Limited (IEPL) are primarily constrained on account of moderate profitability margin, leveraged capital structure coupled with moderate debt coverage indicators. The ratings further constrained on account of stiff competition from large number of unorganized players and vulnerability of profitability margins to the fluctuations in the raw material prices.

The ratings, however, favorably take into account experienced management in the solar power industry, ramp up of operation within short period of operation and moderate liquidity position.

Detailed description of the key rating drivers

At the time of last rating on October 06, 2017 the following were the rating strengths and weaknesses (updated for the information available from client)

Key Rating Weakness

Moderate profitability margins

The profitability margin of the firm remained moderate marked by PBILDT margin and PAT margin of 5.68% and 1.34% respectively in FY18.

The capital structure stood leveraged with overall gearing of 3.96 times as on March 31, 2018 mainly due to initial stategе of operations. Further, debt coverage indicators of the company stood moderate marked by total debt to GCA of 6.58 times as on March 31, 2018. Interest coverage also stood moderate at 2.00 times in FY18.

Stiff competition from large number of unorganized players coupled with vulnerability of margins to fluctuation in the foreign exchange rate

The industry is highly fragmented with presence of numerous unorganized players. The competition is also intensified due to the low entry barriers in terms of capital, technological requirements resulting into very high competition thus impacting profitability of the company. Further, with increasing growth opportunities for solar energy sector due to govt. support/incentives, more players are entering the industry thereby increasing competition.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information*

The main raw materials of the company are solar glass, solar cell aluminium frame etc. The company procures raw materials from China and Malaysia and hence, the profitability of the company is exposed to volatile foreign exchange rate.

Key Rating Strengths

Experienced management and employees in solar power industry

Mr. Vikas Jain, Director, B.E in Electrical by qualification has 18 years of experience in the solar industry and looks after overall affairs of the company. Mr. Manish Gupta, Director, B.E. in Electrical by qualification has around a decade of experience in the solar industry and looks after production functions of the company.

Ramp up of operation within short span of time coupled with moderate liquidity postion

The company has started operations in March 2017 and FY18 was first full year of operation in which it has reported Total Operating Income of Rs.51.27 crore along with PAT of Rs.0.68 crore and cash profit of Rs.1.83 crore. Further, liqiduty position of the company remained moderatet marked by comoftable operating cycle of 21 days in FY18 and current ratio of 1.31 times as on March 31, 2018.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Company

Jaipur (Rajasthan) based Insolation Energy Private Limited (IEPL) was incorporated in October 2015 by Mr. Vikas Jain and Mr. Manish Gupta with an objective to set up a Greenfield project for manufacturing of Photovoltaic (PV) solar module. It has completed its project and started commercial production from March 2017. The company has installed capacity to manufacture PV module of 35 MW per year as on March 31, 2017.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	0.24	51.27
PBILDT	0.04	2.91
PAT	0.03	0.69
Overall gearing (times)	3.49	3.96
Interest coverage (times)	9.26	3.07

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: None

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Term Loan	-	-	September 2023	3.88	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT/ ST-Cash Credit	-	-	-	4.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT/ ST-Cash Credit	-	-	-	2.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	3.88	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; Stable (27-Feb-18)	-	-
2.	Fund-based - LT/ ST-Cash Credit	LT/ST	4.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; Stable / CARE A4 (27-Feb-18)	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (27-Feb-18)	-	-
4.	Fund-based - LT/ ST-Cash Credit	LT/ST	2.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB-; Stable / CARE A4 (27-Feb-18)	-	-

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