Insolation Energy Private Limited

February 27, 2018

Ratings

Facility/Instrument	Amount (Rs. Crore)	Rating	Rating Action
Long-term Bank Facilities	3.88	CARE BB-; Stable(Double B Minus; Outlook: Stable)	Assigned
Long-term/short- term Bank Facilities	6.00	CARE BB-; Stable/CARE A4(Double B Minus; Outlook: Stable/ A Four)	Assigned
Short-term Bank Facilities	0.50	CARE A4(A Four)	Assigned
Total facilities	**10.38 (Rs. Ten crores and Thirty Eightlakhs only)**		

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Insolation Energy Private Limited (IEPL) are primarily constrained on account of its nascent stage of operations in the solar industry, 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.

The ability of the company to successfully stabilize its operations and achieve envisaged level of Total Operating Income (TOI) and profitability with efficient management of working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Nascent stage of operations

The company has started operations in March 2017 and within a month of operations; the company has achieved TOI of Rs. 0.25 crore in FY17. FY18 will be the first full year of operations and till February 21, 2018, it has registered TOI of Rs.43.30 crore.

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.

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 as well as group support

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. They are assisted by the highly qualified and experienced employees in the industry. As on October, 2017, the company has sold solar power panels to its group company Fluidcon Engineers for Rs.4 crore. Due to longstanding presence in the solar industry, the group has established good relations with its customers as well as suppliers and gets repeated orders from its customers.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Manufacturing Companies
Financial ratios – Non-Financial Sector
Criteria for Short Term Instrument

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. It incurred total cost of Rs.7.82 crore towards the project which was funded through term loan of Rs.4 crore, share capital of Rs.2.50 crore and remaining through unsecured loans. The company has installed capacity to manufacture PV module of 35 MW per year as on March 31, 2017. The company imports raw material (i.e. solar cells, solar glass, aluminium frame, etc.) majorly from China and Malaysia as well as purchase domestically from Delhi, Haryana and Uttar Pradesh.

The promoters has also promoted its group company named Fluidcon Engineers (FE; partnership concern) engaged in the business of trading of PVC pipes as well as has signed a purchase power agreement (PPA) for capacity of 2 MW with Madhya Pradesh Electricity Board for the purchase of electricity.

Status of non-cooperation with previous CRA: Not Applicable

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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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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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
Fund-based - LT/ ST-Cash Credit	-	-	-	4.00	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4
Fund-based - LT/ ST-Cash Credit	-	-	-	2.00	CARE BB-; Stable / 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	3.88	CARE BB-; Stable	-	-	-	-
2.	Fund-based - LT/ ST-Cash Credit	LT/ST	4.00	CARE BB-; Stable / CARE A4	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4	-	-	-	-
4.	Fund-based - LT/ ST-Cash Credit	LT/ST	2.00	CARE BB-; Stable / CARE A4	-	-	-	-

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