

## Rating Rationale

**Brickwork Ratings on a review, upgrades long term ratings to ‘BWR BBB-(SO)’ and assigns short term rating ‘BWR A3’ for the Bank Loan Facilities aggregating ₹ 241.31 Cr of M/s Apex Coco and Solar Energy Ltd (Formerly Known as Apex Clothing Company India Ltd).**

On a review, Brickwork Ratings (BWR) has upgraded the long term **Ratings**<sup>1</sup> and assigns short term ratings for the enhanced Bank loan facilities aggregating to ₹ 241.31 Crores (enhanced from ₹152.41 Crores) of **M/s Apex Coco and Solar Energy Ltd** (Formerly Known as Apex Clothing Company India Ltd) (*The Company or Apex*), as under

Facility	Previous Limits in ₹ Cr	Present Limits in ₹ Cr	Tenure	Previous Ratings Jul 2015	Review Ratings
<b>Fund Based</b>					
<b>Term Loans</b>					
Existing	98.02	<b>143.81</b>	<b>Long Term</b>	BWR BB (BWR Double B) Outlook: Stable	<b>BWR BBB-(SO)</b> <b>(BWR Triple B Minus)</b> <b>Outlook: Stable</b> <b>Upgradation</b>
Proposed	54.40	<b>67.50</b>			
<b>EPFC</b>					
Proposed	--	<b>30.00</b>	<b>Short Term</b>		<b>BWR A3</b> <b>(BWR A Three)</b> <b>Assigned</b>
<b>Total</b>	152.42	<b>241.31</b>	<b>INR Two Hundred Forty One Crores and Thirty One Lakhs only</b>		

**Note:** Structured Obligation (SO) assigned based on Corporate Guarantee and Letters of Comfort by the promoter companies

BWR has principally relied upon the audited financial results up to FY15, provisional financials of FY16, projected financials up to FY21, publicly available information and information/clarification provided by the Company’s management.

The revision in ratings is on account of successful completion and commissioning of solar projects as per scheduled time frame, improved profitability margins and tangible net worth. The rating is further strengthened by the corporate guarantees and letters of comfort provided by the promoter companies. The ratings assigned also take into account directors being experienced in textile and solar industry and favorable coverage indicators.

However, the ratings are constrained by the project implementation risk of coconut processing project and inexperience of the directors in the coconut processing sector and high gearing levels.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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## **Background**

Apex Coco and Solar Energy Ltd, formerly known as Apex Clothing Company India Ltd incorporated in November, 2012. In January, 2016, name of the company has changed to Apex Coco and Solar Energy Ltd.

Apex has successfully implemented its 30MW solar power generation unit in three phases i.e. 15MW, 5MW and 10MW which were commissioned during March, 2014, April, 2014 and October 2015 respectively. Apex is selling the power generated from its 15MW and 5MW units to its associate companies and power generated in the 10 MW plant power is sold to Tamil Nadu State Electricity Board (TNSEB). The PPA has been made between Apex and TNSEB for period of 25 years. In FY16, total power generated is ~364.81 Lakh units.

## **Ongoing Capex:**

The company has now planned to setup an integrated coconut processing manufacturing unit at Devanallur, Tirupur (Dt.), Tamil Nadu. Product portfolio includes Coconut Fibre, Peat, Coconut Shell, Coconut Oils, Coconut Milk, Coconut Flour and Coconut Water. The land for the new unit is proposed to be acquired on lease basis from its group concern '*Apex Parivar Infra & Solar Power Private Ltd*' for a lease period of 33 years.

Total project cost is estimated at Rs.90.00 crores, out of which Rs.67.50 crores is funded through consortium banking and rest Rs. 22.50 Crs will be funded through internal accruals and promoter's contribution. Till June, 2016 total expenses incurred were Rs.5.50 crores. Project is expected to be completed by January, 2017 and commercial operations are expected to commence from April, 2017 after the trial run period.

## **Management Profile:**

Mr. Muthusamy Ramasamy is the Managing Director of the Company and has vast experience in the industry. All the other directors of the company are well experienced in the solar and textile industry.

## **Financial Performance**

As per FY16 provisional financials, net revenues of the company improved from Rs. 15.17 crs in FY15 to Rs. 27.28Crs in FY16. Operating margins have slightly improved from 91.41% in FY15 to 92.23% in FY16. The net profit margin has substantially improved from 15.07% in FY15 to 47.47% in FY16.

Tangible net-worth of the company stood at Rs. 50.35 crs as on FY16 against Rs. 33.93 crs as on FY15. Improvement in net worth was mainly due to infusion of capital to an extent of Rs.3.50 crs and retention of profits. The gearing level was high as on FY16 and is expected to deteriorate further in the medium term on account of ongoing project implementation. Company has reported strong debt protection metrics and favourable interest coverage indicators in FY16. Adequate liquidity position is reflected as on FY16.

## Rating Outlook

The outlook of the Company is expected to be stable over the next one year. Going forward, ability of the Company to complete the ongoing capital expenditure as per the scheduled time frame without any cost overrun, to raise proposed loans from the banks, to improve its capital structure by improving capital base, to achieve the projected revenues and profitability and to match the cash flows for meeting its debt obligations will remain key rating sensitivities.

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