



Rating Rationale

Apex Coco & Solar Energy Limited

12Aug2019

Brickwork Ratings revises the rating of the bank loan facilities of Rs. 193.64 Crore of Apex Coco & Solar Energy Limited [*'ACSEL'* or *'the Company'*], Tirupur, Tamilnadu

Particulars

Facilities	Amount (Rs. Cr)		Tenure	Ratings*	
	Previous	Present		Previous	Present
Fund Based					
Term Loan	207.53	186.64	Long Term	BWR BBB (SO) (Pronounced as BWR Triple B Structured Obligation) Outlook:Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Negative Reassigned
Cash Credit	22.50	7.00			
Total	230.03	193.64	INR One Hundred Ninety Three Crores and Sixty Four Lakhs Only		

**Note: Annexure I provides details of the credit facilities ; *Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY18, provisional financials for FY19 and projections upto FY20, publicly available information and information/clarifications provided by the Company's management.

The ratings assigned to the company were based on credit enhancement derived from the Letters of Comfort (LoC) extended by some promoter companies and Corporate Guarantee extended by one of the group companies. However, on review, BWR is of the view that the strength of this arrangement is not adequate in terms of timely debt servicing; neither have certain conditions relating to maintenance of escrow account by the company with the banks to ensure timely servicing of debt been complied with. The likelihood of financial support from the promoter companies is low. Hence, BWR has reassigned the rating of the company on a standalone level.

The standalone credit profile considers the deteriorated financial risk profile owing to significant delays in commencement of the coconut processing plant resulting in time and cost overruns and non achievement of projections with yoy decline in operational performance, thereby adversely impacting the debt protection metrics.

The rating remains constrained by the working capital intensity of operations, high gearing levels, weak debt protection metrics, strained liquidity and the risks arising from the unrelated



business diversification. The rating, however, continues to reflect the experience of the promoters, diversified clientele including Government agencies and PPA with Tamilnadu State Electricity Board (TANGEDCO) for the power generated from the Solar Division.

Going forward, the ability of the Company to stabilise and increase its scale of operations to achieve targeted performance, sustain the PLF in solar division, ensure timely realisation of receivables from TANGEDCO, strengthen its overall credit profile and manage its working capital effectively would be the key rating sensitivities.

Analytical Approach - Standalone

For arriving at its ratings, Brickwork Ratings has applied its rating methodology as detailed in the Rating criteria below (hyperlinks provided at the end of this rationale).

Rating Outlook: Negative

The Negative outlook reflects BWR's belief that the financial risk profile is likely to witness further deterioration, primarily due to weakened liquidity and the present economic scenario. The rating outlook may be revised to 'Stable' in case the revenues and profit show sustained improvement leading to improvement in cash accruals and the capital structure is strengthened, leading to strengthening of financial risk profile.

Key Rating drivers

Credit Strengths:

- **Operational track record of the Group and industry experience of the promoters-** The promoters have extensive experience and the group has an established presence in the textile and solar industry segments for over four decades.
- **PPA with TANGEDCO for Solar Division-**The company has entered into a 25-year term PPA with Tamilnadu State Electricity department (TANGEDCO) for its 10MW capacity solar plant. The fixed tariff of Rs 7.01 per unit limits tariff-related risk, to some extent.
- **Diversified clientele in domestic & exports markets for coconut processing unit -** The Company has diversified clientele for its domestic and export sales of coconut processed products. Some of the major clients include Shinsung Mineral Co Ltd (Korea), Van Der Knaap Group of Companies (Netherlands), Bio Viable LLC, Agronomy, SGSV Enterprises (USA), Al Malabar Coconut Products Pvt Ltd, Kerala State Co operative Marketing Federation Ltd (Kerala), Halesh Industries (Karnataka), PPP Traders (Tamilnadu), etc.

Credit Constraints:

- **Deteriorated financial risk profile -** The financial risk profile of the company is deteriorated reflected by high gearing level, weak debt coverage ratio and stretched liquidity. Total debt/TNW was 4.76 times as on March 31 2018 as against 3.54 times as on March 31 2017. On a provisional basis during FY19, gearing ratio further worsened to 5.04 times. Operating income and profitability have registered a decline y-o-y. During FY18, net revenue declined to Rs. 27.06 cr from the level of Rs. 34.11 cr during FY17.



Operating profit and net profit for FY18 were Rs. 24.87 cr and Rs. 2.60 cr respectively as against Rs. 31.18 cr and Rs. 3.91 cr during FY17. ISCR and DSCR were 2.08 times and 0.95 times respectively during FY18. Unsecured borrowings from the promoters was Rs. 6.08 cr as on 31 Mar 2019.

- **Non-achievement of projected performance** - The Company has continuously failed to achieve the projected performance. During FY18, the company achieved operating income of Rs. 27.06 cr against the projected level of Rs. 55.49 cr. Net profit was Rs. 2.60 cr against projected profit of Rs. 7.55 cr. In FY19 too, revenue(provisional) was Rs. 54.89 cr against the estimated Rs. 248.42 cr.
- **Elongated receivables days** - Receivable days increased to 126 days during FY18 against 101 days during FY17. This is mainly on account of delays in receipts from TANGEDCO.
- **Risks associated with business diversification** - The company has diversified its business with the setting up of coconut processing unit. However, the promoters have no prior experience in this industry segment. There has been a delay of over one year in the commencement of unit's operations. This delay in stabilising the operations of coconut processing unit has attributed to the current poor capacity utilisation of less than 15% in the unit. The resultant overrun has significantly impacted the financial risk profile of the Company.

Liquidity - Poor Working capital utilisation remained high with an average utilisation of around 100% over the last one quarter, owing to the nature of business. As such, there is limited buffer to meet working capital needs. Current ratio was poor at 0.83 times as on 31st March 2018. Net cash accruals to total debt was also low at around 0.05 times as on 31st March 2018. Cash & Cash equivalents were negligible at Rs. 0.04 Cr as on 31st March 2019. Cash accruals were around Rs 8 Crs in FY19 (provisional) against debt repayment obligations in the range of Rs. 22.00 Crs to Rs. 23.00 Crs for FY20 and FY21. Shortfall has to be met through funding from promoters. The operations are expected to remain working capital intensive and the company is reliant on external borrowings for its operations. Timely enhancement of working capital facilities will be critical for improving the liquidity position.

About the Company

The company was initially incorporated as Apex Clothing Company India Ltd in November, 2012. In January 2016, it was renamed as Apex Coco and Solar Energy Ltd. The company is engaged in solar power generation and coconut processing. Apex has solar power generation units located in Tirupur, with capacity of 15MW, 5MW and 10MW. The power generated from 15 MW and 5MW units is being sold to its associate companies and power from the 10 MW plant to Tamil Nadu State Electricity department (TANGEDCO) through a PPA with 25-year term. The average CuF of solar power generation units is FY18 at 17.86%. The integrated coconut processing unit is located at Devanallur, Tamil Nadu and product portfolio includes Coir Fibre, Peat, Coconut Shell, Coconut Oils, Coconut Milk, Coconut Flour and Coconut Water. The processing unit commenced its operation in July 2018. The installed capacity of the coconut processing unit is 4 lakh coconuts per day with current utilisation of less than 15% (50,000 nuts



per day).

Financial Performance

Key Financial Parameters

Particulars		31 Mar 2017	31 Mar 2018
		Audited	Audited
Net Revenue	Rs. Cr	34.11	27.06
EBITDA	Rs. Cr	31.18	24.87
Profit After Tax	Rs. Cr	3.91	2.60
Tangible Net Worth	Rs. Cr	50.38	52.94
Total Debt : Tangible Net Worth	Times	3.54	4.76
Current Ratio	Times	0.48	0.83

On a provisional basis, the Company has achieved revenue of around Rs. 54 Cr during FY19.

Rating History for the last three years

Facilities	Current Rating (August 2019)			Rating History* (Last 3 years)		
	Amount (Rs. Cr)	Type	Ratings	20Nov2017	03Aug2016	02Jul2015
Fund Based						
Term Loan	186.64	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Standalone rating reassigned	BWR BBB (SO) Outlook: Stable	BWR BBB- (SO) Outlook: Stable	BWR BB Outlook: Stable
Cash Credit	7.00					
Total	193.64	INR One Hundred and Ninety Three Crores and Sixty Four Lakhs Only				

**Initial rating was assigned on 07Feb2014; Rating migrated to "Rating Not Reviewed" category on 21Feb2019*

Status of Non-Cooperation with other CRA: NIL

Any other information: Not Applicable



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Entities](#)

Analytical Contacts	Investor Contacts
<p>Rajee R Senior Director - Ratings B: +91 80 4040 9940 rajee.r@brickworkratings.com</p> <p>Naveen S Ratings Analyst M: +918884498561 B: +91 80 4040 9940 Ext: 342 naveen.s@brickworkratings.com</p>	<p>Satish Nair Director - Global Market Development & Investor Relations M: +91 7738875550 B: +91 8067456666 satish.n@brickworkratings.com</p>
1860-425-2742	

Annexure I
Bank Loan Facilities

Bank	Facilities	Amount (Rs. Cr)
Canara Bank Tirupur Main Branch	Cash Credit	7.00
	Term Loan-I	58.61
	Term loan – II	17.46
Syndicate Bank Tirupur Branch	Term Loan-I	20.52
	Term loan – II	47.47
	Term Loan – III	42.58
Total		193.64



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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