



RATING RATIONALE

19 May 2021

Apex Coco and Solar Energy Limited

Brickwork Ratings removes the ratings from INC, upgrades long term rating and assigns the short term ratings for the Bank Loan Facilities of Rs.188.46 Crores of Apex Coco and Solar Energy Limited (ACSEL or the ‘Company’).

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Oct 2020)	Present
Fund based	193.64	183.46	Long Term	BWR B+ Issuer Not Cooperative^ [Negative]	BWR BB- [Stable] Removal from INC Ratings upgraded
Non-Fund Based	-	5.00	Short Term	-	BWR A4 Assigned
Total	193.64	188.46	Rupees One Hundred and Eighty Eight Crores and Forty Six Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

^Issuer did not cooperate based on best available information

Rating: Removal from INC, Long term rating upgraded and short term rating assigned, Outlook changed from Negative to Stable

RATING ACTION / OUTLOOK

BWR has removed the ratings from Issuer Non Cooperation and upgraded the long term rating, assigned short term rating and changed the Outlook for Apex Coco and Solar Energy Ltd (‘ACSEL’ or ‘the Company’) to BWR BB-(Stable)/A4 on account of the long operational track record of the promoters along with the established market presence, PPA with TANGEDCO for solar division, and improving scale of operations in the coconut processing division. The ratings also factored in the working capital intensive nature of the operations, risks associated with business diversification, exposure to forex risk due to increase in exports.

The ratings have been assigned a stable outlook on account of strong domestic demand from the end- user segment. BWR believes that Apex Coco and Solar Energy Ltd business risk profile will be maintained over the medium term.



KEY RATING DRIVERS

Credit Strengths:

Long operational track record of the promoters along with established market presence:

The promoters have been in the solar power generation industry and textile industry for about four decades.

PPA with TANGEDCO: The demand risk is limited as the company has a 25-year PPA with TNEB for its 10 MW capacity. Also, the tariff is fixed at Rs. 7.01 per unit thus limiting tariff-related risk. Also, the remainder 20 MW is used by the promoters for group captive consumption @ Rs 5.75 per unit.

Increasing scale of operations: Improvement in the financial performance of the company with increase in revenues and better revenue visibility with the export orders and the increasing online brand presence of the company's brand COCO MAMA on portals like Amazon. The Company has a long term contract from a European Company for the next 10 months upto Feb 2022 totalling to Rs 56 Cr. For FY21 the company has generated a revenue of 82.96 Cr and has surpassed its projected revenues of Rs 81.18 Cr.

Credit Risks:

Subdued financial risk profile: The gearing is stretched with the total debt/TNW standing at 9.47x in FY20 and 6.86x in FY21 provisionals on account of the increased levels of borrowings. However, the analysed gearing stands at 1.24x in FY20, on account of the unsecured loans of ~Rs 97.00 brought in by the directors. Weak coverage ratios with the ISCR and DSCR standing at 0.62x and 0.55x respectively in FY20, and healthy operating profit margins of 39.67% and weak net profit margins of -36.84% in FY20 mark the financial profile.

Working capital intensive nature of operations: Stretched working capital conversion cycle of 139 days due to high inventory days.

Exposure to forex risk: Increase in export levels which are not backed by LC thus exposing the company to forex risk, however the same is attenuated by the company policy of 100% advance payment, DP at sight and DA 30 days.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Apex Coco and Solar Energy Ltd. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.

Positive: The rating will be upgraded if the Company is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and optimum utilisation of capacities, and sustained improvement working capital management & enhanced recovery rates.



Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely.

LIQUIDITY POSITION: Stretched

The current ratio stands at 1.14x in FY20. The company has received an extension of 6 months for the repayment of term loans. They have also applied for additional Rs 7.00 Cr of OCC limits which will add to their liquidity cushion. The Company has cash and cash equivalents amounting to Rs 0.19 Cr in FY20 which have increased to Rs 0.22 Cr in FY21. Nevertheless, the shortfall in meeting the repayment obligations, in the light of the losses incurred by the Company for the last 3 years, is expected to be met through unsecured borrowings from promoters. Also, on account of the COVID moratorium availed the repayment obligations for FY21 have come down considerably to ~ Rs 10.00 Cr which is expected to be met by the positive projected cash accruals for FY22.

COMPANY PROFILE

Apex Clothing Company India Ltd was incorporated in November, 2012. In January 2016, the company 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 Thuraiyur Taluk, Trichy, TamilNadu, with capacity of 15MW, 5MW and 10MW which were commissioned during March 2014, April 2014 and October 2015 respectively. Apex is selling the power generated from its 15 MW 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)/TANGEDCO through a PPA for a period of 25 years. The company has an integrated coconut processing unit at Devanallur, Dharapuram Taluk, Tirupur, Tamil Nadu. Product portfolio includes Coir Fibre, coir pith, Coconut Shell, Coconut Oils, Coconut Milk, Coconut Flour and Coconut Water. (The land for the new unit has been acquired on lease basis from its group concern 'Apex Parivar Infra & Solar Power Private Ltd' for a lease period of 33 years). The processing unit commenced its operation in July 2018 (3 months delay in the commencement of operations). The coconut processing unit is certified by the certification bodies of NON GMO/USDA/GLUTEN-FREE etc. The installed capacity of the coconut processing unit is of 4 lakh coconut per day @ 550g per nut. Coconut water, VCO and EVCO are the flagship products.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Unit	FY19 Audited	FY20 Audited
Total Operating Income	(in ₹ Cr)	54.97	52.55
EBITDA	(in ₹ Cr)	41.75	20.85
PAT	(in ₹ Cr)	-1.71	-19.36
Tangible Net Worth	(in ₹ Cr)	51.30	32.01
Total debt/ TNW	Times	5.17	9.47
Total debt/ TNW Analysed	Times	1.62	1.24
Current ratio	Times	0.93	1.14

KEY COVENANTS OF THE FACILITY RATED: NA
NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY FOR THE PREVIOUS 3 YEARS [including withdrawal/suspended]

Facilities	Current Rating			Chronology of Rating History for previous three years (Rating Assigned & date, rating withdrawn/ suspended if applicable)								
	May 2021			13 Aug, 2020			21 Feb, 2019			20 Nov, 2017		
	Tenure	Amt (₹ Cr)	Rating	Tenure	Amt (₹ Cr)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating
Fund Based	Long Term	183.46	BWR BB-[Stable] Removal from INC and Upgraded	Long Term	193.64	Ratings moved to RNR	Long term	230.03	Ratings moved to RNR	Long term	230.03	BWR BBB (SO) Stable Upgraded
Non Fund Based	Short term	5.00	BWR A4 Assigned	NA	NA	NA	NA	NA	NA	NA	NA	NA
	2021			12 Oct,2020			12 Aug, 2019			2017		
Fund Based	NA	NA	NA	Long Term	193.64	BWR B+ Negative Issuer Not Cooperating* Downgraded	Long term	193.64	BWR BB- Negative Reassigned on a standalone basis	NA	NA	NA
Non Fund Based	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
TOTAL	188.46	Rupees One hundred and Eighty Eight Crores Forty Six Lakhs Only										

*Issuer did not cooperate based on best available information

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)

Analytical Contacts	
Vidya Shankar Principal Director - Ratings B : +91 80 4040 9940 vidyashankar@brickworkratings.com	Saloni Singh Ratings Analyst D : +91 22 6745 6647 B : +91 22 2831 1426, +91 22 2831 1439 saloni.s@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Term Loan	52.72	-	52.72
2.	Term Loan	15.54	-	15.54
3.	Term Loan	35.59	-	35.59
4.	Term Loan	48.32	-	48.32
5.	Term Loan	14.29	-	14.29
6.	OCC/ODBD	10.00	-	10.00
7.	Proposed OCC	7.00	-	7.00
8.	PC	-	2.00	2.00
9.	Proposed PC	-	3.00	3.00
TOTAL				188.46



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters 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.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect,



incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.