Press Release

Apollo Green Energy Limited
January 10, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	221.83	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	101.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Non-Convertible Debentures	9.50	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Proposed Non-Convertible Debentures	90.50	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Total	**422.83 (Rupees Four hundred twenty-two crore and eighty-three lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Apollo Green Energy Limited (AGEL) derive strength from AGEL's experienced promoters, diversified revenue profile, its scale of operations, healthy order book in the EPC segment and support from promoters. The ratings strengths are, however, constrained by average operating profitability margin, average debt protection metrics, working capital intensive operations, large investments in subsidiaries and group companies, and presence in highly competitive industries and project execution risks.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations along with operating profitability over 10% on a sustained basis.
- Significant improvement in working capital cycle improving liquidity of the company.
- Improvement in TOL/TNW ratio at around 1 times and interest cover to 3 times on sustained basis.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile.
- Sharp changes in leverage on account of large debt funded capex, increase in financial support to group companies by way of guarantees/ advances leading to deterioration in debt protection metrics.
- Stretch in the working capital cycle impacting the liquidity of the company.
- Delay in order execution which may adversely impact the financial risk profile.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced Promoters

AGEL is promoted by Mr. Raaja Kanwar, who has nearly three decades of experience and has established strong relations with customers and suppliers. He is well supported by a team of professionals. AGEL is part of Apollo group, which has Apollo Tyres Ltd as its flagship company.

Apollo Group is an Indian conglomerate headquartered in Gurgaon, India. The Group which was founded in early 1972 has a diversified & multinational presence in tyre manufacturing and marketing, logistics, apparel & footwear, Engineering, Procurement & Constructions (EPC) sectors, media & entertainment industry.

Diversified Revenue Profile

The company has presence across three segments, namely: (i) EPC segment, (ii) leather accessories and garments, and (iii) trading segment (trading of multiple products including tyres, tubes, flaps, white goods, industrial machinery, etc.). Revenue from EPC was 43% in FY23 (FY22: 35%), leather or fashion was 32% in FY23 (FY22: 63%), and trading was 25% in FY23 (FY22:3%). AGEL undertakes EPC activities for the government and private infrastructure projects, both in India and overseas. In the leather segment, AGEL undertakes the manufacturing and sale of leather garments and accessories to international retail brands. The company has presence in in India, UK, USA, Canada, Europe, Africa, Middle East and Southeast Asia. Going forward, the leather business is expected to report a steady performance, and the revenue from EPC segment and trading segment is expected to increase, backed by healthy order book.

Sizable scale of operations

In FY23, AGEL reported revenue of Rs. 653.81 crore, an increase of ~108% over FY22 revenue of Rs. 314.82 crore. This growth is driven by all three segments and not concentrated to one division. Revenue from EPC division was Rs.284.84 crores (FY22:103.85), from leather division was Rs.208.40 crores (FY22:197.85) and from trading division was Rs.160.57 crores (FY22: 13.12). Trading increased due to increase in exports of tyre and other trading items. The EPC division has also shown 174% increase in revenues in FY23 backed by strong orderbook. The leather segment is also operating at 77% capacity utilization. For 8 months ended November 30, 2023, on an unaudited basis, AGEL reported revenue of Rs.689.35 crore.

Healthy order book in the EPC segment

The company has a healthy order book of ~Rs. 9000 crores as on 30th September,2023 which is ~32 times of the EPC revenue of FY23 (Rs.284.84 crore) thus providing strong revenue visibility in the medium term to long term. The order book includes a social infrastructure project namely Bharat Heera Kendra PMC project for ~Rs. 7,700 crores by Bharat Cineplex Pvt. Ltd. to construct approximately 7,800 units (a complex) which will provide healthcare, education,entertainment, retail activities, and digital utility services to the rural and semi-urban population(in Uttar Pradesh and Maharashtra). This project is executable over five years.

Infusion of funds by promoters

The promoters infused in total Rs.80.76 crores over a period from FY21-FY23. Rs.20.08 crores were infused in FY21, Rs.44.48 crores in FY22 and further Rs.16.20 crores in FY23 by way of 0.01% Optionally Convertible Redeemable Preference Shares and 0.01% Redeemable Preference Shares. This has been used for operational purpose, debt repayments as well as investments in subsidiaries. There is unsecured loan from the promoter of Rs.40.62 crores which is also invested in the company. As articulated by AGEL's management, promoter support shall continue to be there on a need basis. Thus, timely funding support from the group to AGEL will remain a key monitorable.

B. Key Rating Weaknesses

Average operating profitability margin

The EBITDA margin of the company has declined to 5.62% in FY23 from 12.38% in FY22. The operating margins have been volatile due to the increase in the raw material prices in the EPC segment. However, the management has applied for price escalation in various projects and is yet to receive the claim. The company has achieved EBITDA margin of 8.03% (unaudited) for 8 months ended November 2023. The company also plans to sub-contract some of the units in the Bharat Heera Kendra Project on which it will earn commission. Operating margin is expected to be around 9-10% going ahead backed by healthy order book in EPC segment and high margin projects in pipeline. However, the sustainability of EBITDA margins will remain a key monitorable for the ratings.

Average debt protection metrics

Total debt of the company has increased to Rs.277.70 crores in FY23 from Rs.197.68 crores in FY22 primarily due to increase in term loans. Total debt comprises of Rs.1.28 crores vehicles loans, GECL loans & LAP loans of Rs.164.21 crores, unsecured loans of Rs. 43.40 crore, loan from related parties and promoters amounting to Rs. 40.62 crores and working capital borrowings of Rs. 28.75 crore. Overall gearing accordingly moderated to 0.97x as on March 31, 2023, as against 0.84x as on March 31, 2022. TOL/TNW was at 2.19x as on March 31, 2023, against 1.63x as on March 31, 2022.

AGEL has issued an NCD of Rs.40.00 crores in FY24, for its working capital requirement in the EPC segment which is to be repaid in FY26. Out of Rs. 40.00 crores of NCDs, AGEL issued Rs. 30.50 crore under series-I till August 2023 and Rs. 9.50 crore in November 2023 and December 2023 under series-II. Series – II is for Rs. 10.00 crore with a green shoe option up to Rs. 100.00 crore. The management is planning to raise balance Rs. 90.50 crore funds under series II by Q1FY25, and its repayment will be after two years from the date of allotment. The funds raised through these NCDs will be used for the BECIL Project.

The debt protection metrics of the company have remained average on account of high interest costs and muted profitability. The interest coverage ratio remained moderate at 1.57x in FY23 as against 1.62x in FY22. Total debt to gross cash accruals stood at 29.26 times as on March 31, 2023, as against 13.55 times as on March 31, 2022.

Working capital intensive operations

The operations of the company are working capital intensive as reflected in gross current asset days of 385 days during FY22 and 325 days during FY23. The average collection days is high at 97 days in FY23 and 148 days in FY22. Inventory days stood at 43 days in FY22 and 24 days in FY23. The fund based working capital utilization for the last 12 months ended November 2023 stood at 75.54%.

Large investments in subsidiaries and group companies

AGEL has a total exposure of Rs.256.79 crores in FY23 (FY22: Rs.227.85 crores) to its subsidiaries and group companies in the form of equity investments. Of the total, Rs.6.37 crore has been invested in the company's 100% subsidiaries and Rs.110.15 crores in 45% associate companies. The company has also invested in listed entities, Apollo Tyres Limited; 0.16% shareholding as of March 31, 2023) and UFO Moviez India Limited (5.94%). The total investments made up around 89.77% of AGEL's net worth as on March 31, 2023, and 96.83% of AGEL's net worth as on March 31, 2022. Accordingly adjusted overall gearing and TOL/ATNW stands at 3.73 times and 9.43 times respectively as on March 31, 2023, and at 1.69 times and 6.51 times respectively as on March 31, 2022. Infomerics has not factored in any additional support to be provided by AGEL to any of its subsidiaries and group companies going forward.

Highly competitive industries and project execution risks

AGEL's business segments operate in highly competitive industries with fragmented market shares. Further, in the EPC segment the company is getting most of its orders through tenders. As the infrastructure industry is highly fragmented due to presence of many organized and unorganized players, tender driven nature of business leads to volatility in revenue and profitability. Further, the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution due to time and cost overruns on account of various issues like land acquisitions, environmental clearances, political interference, delay in payments from the government, fluctuating input costs, and changes in government policies. The company has been awarded a large sustainable social infrastructure project called the Bharat Heera Kendra PMC project of Broadcast Engineers Consultants India Ltd awarded by Bharat Cineplex Pvt. Ltd., a GOI enterprise for up to Rs.7700 crores to be executed over a period of 5 years across Maharashtra and Uttar Pradesh. Delays or overruns in execution of this project will have an impact on the revenues and profitability of the company. Further, since the nature of operations is tender based, the business also depends on the ability to bid for contracts successfully.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology – Infrastructure Companies

Rating Methodology – Manufacturing Companies

Rating Methodology – Trading Companies

Criteria of assigning rating outlook

Criteria on Default Recognition

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The gross cash accruals are expected to be around Rs 55 – 120 crore in the projected period FY24-26 as against debt repayment obligations of Rs 31.07 crore in FY24, Rs.36.03 crore in FY25 and Rs.77.71 crore in FY26. The cash flow from operations was negative, in the past, primarily on account of large working capital requirements and muted profitability. The company's average month end fund based working capital utilizations for the last 12 months ended November 2023 was 75.54% leading to limited liquidity buffer. Current ratio was 1.38 times as on March 31, 2023. Liquidity support from promoter, in the form of unsecured loans stood at Rs 40.62 crore as on March 31, 2023. Further, the promoters have further infused Rs.80.76 crore over FY22- FY23 by way of RPS/OCRPS. Unencumbered cash and bank balance stood at around Rs 5.45 crore as on November 30, 2023.

About the company

Apollo Green Energy Limited (AGEL) initially called Apollo International Ltd was set up in 1994 as an export arm of Apollo Tyres Limited to lead the marketing and export of Apollo Tyres worldwide. Later it forayed into manufacturing and export of leather garments and construction & infrastructure development.

The company has recently changed the name to Apollo Green Energy Ltd as the company plans to focus on green and sustainable EPC projects going forward including renewables and sustainable development projects.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	314.82	653.81
EBITDA	38.99	36.74
PAT	23.00	30.06
Total Debt	197.12	278.26
Tangible Net worth	233.80	284.55
Ratios		
EBITDA Margin (%)	12.38	5.62
PAT Margin (%)	7.08	4.53
Overall Gearing Ratio (x)	0.84	0.98

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	175.83	IVR BBB+/ Stable	-	-	-
2.	Cash Credit	Long Term	31.00	IVR BBB+/ Stable	-	-	-
3.	Proposed Fund-Based Facility	Long Term	15.00	IVR BBB+/ Stable			
4.	Export Packing Credit	Short Term	11.00	IVR A3+			
5.	Bank Guarantee	Short Term	61.00	IVR A3+	-	-	-
6.	Letter of Credit	Short Term	29.00	IVR A3+	-	-	-
7.	Non-Convertible Debentures	Long Term	9.50	IVR BBB+/ Stable			
8.	Proposed Non-Convertible Debentures	Long Term	90.50	IVR BBB+/ Stable			

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term fund-based facility – GECL	--	--	March 2026	2.24	IVR BBB+/ Stable
Long term fund-based facility – GECL	--	--	March 2028	1.90	IVR BBB+/ Stable
Long term fund-based facility – Term Loan	--	--	September 2028	85.94	IVR BBB+/ Stable
Long term fund-based facility – GECL	--	--	November 2028	14.70	IVR BBB+/ Stable
Long term fund-based facility – Term Loan	--	--	February 2035	31.16	IVR BBB+/ Stable
Long term fund-based facility – Term Loan	--	--	December 2036	39.89	IVR BBB+/ Stable
Long term fund-based facility – Cash Credit	--	--	--	31.00	IVR BBB+/ Stable
Long term fund-based facility – Proposed	--	--	--	15.00	IVR BBB+/ Stable
Short term non-fund-based facility – Bank Guarantee	--	--	--	61.00	IVR A3+
Short term non-fund-based facility – Letter of Credit	--	--	--	29.00	IVR A3+
Short term fund-based facility – Export Packing Credit	--	--	--	11.00	IVR A3+

Details of Facilities/ instruments:

Name of instrument	ISIN	Date of Issuance	Coupon	Maturity	Amount (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures	INE838 A07079	30th November 2023	10.50%	30th November 2025	5.00	IVR BBB+/ Stable
Non-Convertible Debentures	INE838 A07087	15th December 2023	10.50%	15th December 2025	4.50	IVR BBB+/ Stable
Proposed Non-Convertible Debentures	--	Yet to be issued	10.50%	Yet to be issued	90.50	IVR BBB+/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-AGEL-jan24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the instrument	Detailed covenant
Name of Issuer	Apollo Green Energy Limited (Formerly Known as Apollo International Limited
Type of Instrument	Secured Non-convertible Debentures (NCDs)- Second Series
Seniority	Senior
Mode of Issue	Private placement
Issue size	Rs. 10.00 crore with Green Shoe option Up to Rs. 100.00 crore
Face Value	Rs. 1,00,000/- per NCD
Issue Value	Rs. 1,00,000/- per NCD to be issued at par
Purpose	To meet the funds requirement of the company for execution of project
Coupon	10.50% Per Annum, Payable Monthly
Maturity	2 years
Redemption Date	Two years from the date of Allotment
Security	The NCDs will be secured by the Debentures of AIL Consultants Private Limited, Group company. Additionally, NCDs will be secured by the cash flows of company's projects "Bharat Heera Kendra".

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.