Press Release

Onix Renewables Limited (ORL)

April 03rd, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.97	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	20.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Long Term Bank Facilities - Proposed	15.03	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Total	**Rs.50.00** (Rupees Fifty Core Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of ORL derive strengths from, healthy order book position, consistent growth in the scale of operations, improvement in overall profitability and comfortable capital structure and demonstrated funding support from promoters through regular equity infusion. The rating is however constrained by high geographical and client concentration risks, presence in a highly fragmented and competitive industry.

Key Rating Sensitivities:

Upward Factors

- Timely execution of the existing orderbook leading significant improvement in revenue and EBITDA margins while maintaining current credit profile.
- Stable working capital cycle.

Downward Factors

- Any declined in revenue and profitability and/or any unplanned debt led capex and/or any increase in working capital cycle leading to increase in overall gearing above 2.5x on a sustained basis.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Consistent growth revenue and profitability

ORL's revenue grew at CAGR of around 50% through FY21-FY23 to Rs.146.46 crore led by timely execution of orders. ORL has achieved revenue of Rs.180.93 crore till 11MFY24 and expected to achieve revenue of Rs.250 crore by end of FY24 with pending raising of bills to the tune of Rs.40 crore and execution of orders. ORL's profitability in terms of EBITDA margins has shown sustained improvement through FY21-FY23 to 8.58% with benefits of operating leverage and further improved to 10.21% at the end of 11MFY24. Infomerics expects EBITDA margins to sustained around 10%-11% with steady execution of order books and benefits of operating leverage.

Healthy order book position

ORL has an unexecuted order book of Rs.542.31 crore as on February 29, 2024 (3.70x of FY23 revenue), indicating healthy revenue visibility in the medium term and these orders is expected to get executed in next 12-18 months. Order book includes work relates to solar installations, substation construction, underground cabling, operation and maintenance of solar panels, and wind solar hybrid projects.

Comfortable capital structure

ORL's capital structure remains comfortable with gearing has stood at 0.40x in FY23 {FY22:0.98x} led by stable accretion of profits to reserves and no significant increase in total debt. ORL has total debt of Rs.9.47 crore at the end of FY23 (FY22:Rs.9.89 crore). However, TOL/TNW has marginally increased during FY23 and at 2.78x in FY23 {FY22: 2.61x}, due to higher credit payables as ORL has purchased raw materials at the end of FY23.

Regular Infusion of equity by promoters

Promoters have demonstrated their regular support by in the form equity infusion. During FY24, promoters have infused equity to the tune of Rs.40.44 crore to support working capital requirements for execution of orders. As per management, promoters will infuse additional equity as and when needed by the company.

Comfortable working capital cycle

ORL's working capital cycle remains comfortable with the operating cycle stood at 10 days at the end of FY23 (PY: 32 days). ORL generally extends credit period of 30-45 days to its customers and on an average, it maintains 45-60 days of inventory levels. Working capital cycle is partially supported by credit from suppliers of around 45-60 days and partially through working capital debt.

B. Key Rating Weaknesses

High geographical and client concentration risks

ORL's revenue profile is highly concentrated in Gujrat, accounting for 90% of the total revenue during the past three years. With the entire order book limited to state of Gujrat and Maharashtra, the geographical concentration risk is expected to remain high in the medium term. ORL derived more than 65% of its revenues from its top-two clients, resulting in high customer concentration risk. However, ORL has recently received new orders from the reputed entities, which should help in reducing its sectoral and client concentration risks.

Presence in a highly fragmented industry

The industry is highly fragmented and competitive, which limits the pricing flexibility and bargaining power of the players. Fragmentation and competition in the solar power EPC segment restrain any pass-through mechanism, leading to a volatile operating margin.

Analytical Approach: Standalone

Applicable Criteria:

Criteria on default recognition

Criteria of assigning rating outlook

Rating methodology for service companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity profile of ORL is adequate with expected gross cash accruals in the range of Rs. ~15 crore as against repayment obligations of around Rs. ~1-2 crore for next two years. The company's average fund-based utilization remained at around 68% in the trailing 12 months ending February 2024. Current ratio stood at 1.21x as on March 31, 2023. DSCR of the ORL stood healthy at 5.07x in FY23.

About the company

Onix Renewable Limited (formerly known as Onix Structure Private Limited) is a Gujarat based company established in 2008 in Rajkot by Mr. Nihkil Hareshbhai Savaliya and Mr. Khilan Hareshbhai Savaliya who have an experience of more than a decade in the diversified business. ORL specializes in providing comprehensive services for solar, wind, and Green Hydrogen energy solutions, encompassing the entire spectrum from design and engineering to procurement, installation, testing, and commissioning of electric projects ranging from 66kv to 400kv substations (AIS/GIS/HIS), as well as operation and maintenance tasks.

Financials (Standalone): **(Rs. crore)**

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	99.86	146.46
EBITDA	3.28	12.57
PAT	2.25	9.08
Total Debt	9.89	9.47
Tangible Net worth	10.07	18.63
Ratios		
EBITDA Margin (%)	3.28	8.58
PAT Margin (%)	2.25	6.19
Overall Gearing Ratio (x)	0.98	0.78

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Bank Facilities	Long Term	14.97	IVR BBB/ Stable	--	--	--
2.	Short Term Bank Facilities	Short Term	20.00	IVR A3+	--	--	--
3.	Long Term Bank Facilities - Proposed	Long Term	15.03	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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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 Bank Facilities – Term Loan -I	--	--	March 2028	3.25	IVR BBB/ Stable
Long Term Bank Facilities – Term Loan – II	--	--	October 2024	0.06	IVR BBB/ Stable
Long Term Bank Facilities – Term Loan - III	--	--	January 2027	1.66	IVR BBB/ Stable
Long Term Bank Facilities – Open Cash Credit	--	--	Revolving	10.00	IVR BBB/ Stable
Short Term Bank Facilities – Bank Guarantee	--	--	--	20.00	IVR A3+
Proposed Long Term Bank Facilities	--	--	--	15.03	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-Onix-apr24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.