



Press Release

Onix-Tech Renewable Private Limited (OTRPL)

July 02nd, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current* Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Fund-Based Bank Facilities – Cash Credit	35.00	IVR BBB [CE]/ Stable (IVR Triple B [Credit Enhancement] with Stable Outlook)	-	Assigned	Simple
Total	35.00 (Rupees Thirty-five crore only)				

*CE Rating based on corporate guarantee provided by Onix Renewables Limited.

	Ratings	Previous Ratings
Unsupported Rating*	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-

*#Unsupported rating does not factor in the explicit credit enhancement from Onix Renewables Limited.

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the ratings to the Bank facilities of OTRPL are based on corporate guarantee provided by Onix Renewables Limited (ORL) (Parent company: rated IVR BBB/Stable/ IVR A3+) which covers the entire rated amount. For assigning the rating, Infomerics has assessed the attributes for the guarantee issued by ORL in favour of lenders who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The guarantor's capability to support the guaranteed amounts is found to in line with credit profile connoted by the credit ratings assigned.

The corporate guarantee results in an enhancement in the rating of the said facilities to IVR BBB [CE]/ Stable (IVR Triple B [Credit Enhancement] with Stable Outlook) against the unsupported rating of IVR BB+/ Stable (IVR Double B Plus with Stable Outlook).



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The ratings also derive strength from strong linkages with parent company, satisfactory credit profile of the corporate guarantor, stable operating income and strong order book, stable profitability margins, moderate capital structure, corporate guarantee from Onix renewables limited. The rating strengths are, however, moderate working capital cycle and competition from the other established players.

Key Rating Sensitivities:

Upward Factors

- Improvement in the credit profile of the corporate guarantor
- Sustained improvement in the capital structure along with improvement in debt protection metrics

Downward Factors

- Deterioration in the credit profile of the corporate guarantor.
- Deterioration in the capital structure owing to high reliance on working capital borrowing as marked by overall gearing ratio of above 1x.
- Any large debt-funded capex or stretch in working capital cycle, weakening the financial metrics and liquidity.

Adequacy of Credit Enhancement Structure:

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by Onix Renewables Limited in favour of lenders who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The corporate guarantee results in an enhancement in the rating of the said facilities to IVR BBB [CE]/ Stable (IVR Triple B [Credit Enhancement] with Stable Outlook) against the unsupported rating of IVR BB+/ Stable (IVR Double B Plus with Stable Outlook). The adequacy of credit enhancement has been tested after considering guaranteed debt by ORL and debt of OTRPL. The adjusted capital structure and adjusted debt protection metrics of ORL remain adequate.



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Transaction Structure

The transaction structure to ensure a timely payment under the credit enhancement is as follows:

1. T being scheduled due date of payment
2. The Security Trustee/Lender will invoke the corporate guarantee within T-2 days.
3. Payment by the guarantor will be made within (T-1) days.

Infomerics will consider T-1 as its legal final maturity for the purpose of recognition of default.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong Linkages with parent company

OTRPL has strong legal and operating linkages with its parent company i.e. ORL. ORL has incorporated OTRPL as a backward integration where ORL executes orders of setting up solar power plants and OTRPL manufactures solar panel which it mainly sells to its parent company.

Satisfactory credit profile of the Corporate Guarantor

ORL's capital structure remains comfortable with gearing has stood at 0.34x as on March 31st, 2024 (refers to period April 1st, 2023, to March 31st, 2024) (March 31st, 2023: 0.46x) this improvement is due to ORL has infuse equity through private placement of Rs.40.56 crore along with stable accretion of profits to reserves and no significant increase in total debt. TOL/TNW has also improved to 1.75x as on March 31st, 2024 (March 31st, 2023: 3.18x), due to increase net worth base. However, Onix Renewables Limited has given corporate guarantee to OTRPL of Rs.35.00 crore and after loading guaranteed debt of OTRPL's capital structure remain comfortable marked by overall gearing and TOL/ATNW stood at 0.67x and 2.08x as on March 31st, 2024.

Stable operating income and strong order book

FY24 is first year of operations of the company and as per provisional FY24 OTRPL have achieved a turnover of Rs.185.30 crore as compared to Rs.0.02 crore in FY23, driven by execution of orders. OTRPL order book mainly consists of orders from its parent company i.e.



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ORL. OTRPL has healthy order book of Rs.350.00 crore (1.88x of FY24 (Prov.) which are expected to execute over FY25-FY26.

Stable profitability margins:

EBITDA margins of the OTRPL stood at 10.78% as per provisional FY24 while PAT margins stood at 7.08%, due to better operating leverage. Ability to maintain operating profitability depends on healthy order book from the parent company.

Moderate Capital Structure

OTRPL's tangible net worth including quasi equity has stood at Rs.26.76 crore as on March 31st, 2024, (March 31st, 2023: Rs.3.65 crore), this increase in net worth led by fresh equity infusion by the promoters. OTRPL capital structure remains moderate with gearing and TOL/ATNW has stood at 1.49x and 1.83x respectively as on March 31st, 2024, (March 31st, 2023: 0.97x and 1.31x respectively) this marginal increase was due to utilisation of working capital limits. IVR expects gearing to improve further from FY25 onwards with expected improvement in profitability and no significant increase in long term debt in absence of capex plans.

Corporate Guarantee from Onix Renewables Limited

ORL has extended an unconditional and irrevocable corporate guarantee for the rated bank facilities of OTRPL which is a subsidiary of ORL. Further, the rating also factors in expectation of continuous support by the ORL for timely servicing of the debt obligations to the company. Infomerics believes that the parent company will continue to support the debt servicing commitments of OTRPL, and any timely, need-based financial support will also be extended by the corporate guarantor, in case of any pressure on cash flows. The rating is sensitive to the credit risk profile of ORL. Any material increases in ORL's consolidated leverage levels will remain key monitorable.



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Key Rating Weaknesses

Moderate working capital cycle

OTRPL's operating cycle remained moderate at 72 days at the end of FY24 mainly on account of high inventory days of around 63 as per provisional FY24, as OTRPL needs to maintain variety of inventories to meet the needs of its customer base, whereas creditors days stood low at 8 at the end of FY24, as a result of the same its working capital limits utilized around ~100% during the past 12 months ended as on April 30, 2024.

Competition from the other established players

OTRPL faces intense competition from Chinese imports due to their price advantage, leading to moderate profit margins. With the deferment of the ALMM scheme until March 2024, competition from imports is expected to remain. Furthermore, the significant policy push towards domestic manufacturing is likely to increase competition, as seen in the capital expenditure plans of larger domestic players. While current government regulations, targets, and policies support the industry, the company remains vulnerable to potential changes in policies and tariff barriers.

Analytical Approach: Standalone and Credit Enhancement

Credit Enhancement (CE) rating: CE rating is backed by unconditional and irrevocable corporate guarantee deed read along with the addendum to the corporate guarantee from Onix Renewables Limited (ORL, rated by Infomerics at IVR BBB/Stable / IVR A3+ vide press release dated April 03rd, 2024) to the bank facilities of Onix-Tech Private Limited.

Unsupported rating: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Rating Methodology for Structure Debt Transaction \(Non-Securitisation Transaction\)](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Parent & Group Support](#)



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Liquidity –Adequate

OTRPL's liquidity position is expected to remain adequate in the near-term backed by support from ORL. To meet any cashflow mismatches during the project stabilisation phase, IVR expects ORL to provide need-based funding support to OTRPL. The current ratio stood at 1.70x as of March 31st, 2024 (March 31st, 2023: 1.98x); while quick ratio remains moderate and at 0.47x as of March 31st, 2024 (March 31st, 2023: 1.14x). DSCR of the company stood healthy at 4.77x in FY24 as there is no term loan in the company.

About the Company

OTRPL's is incorporated in 2021 based in Gujrat. OTRPL engaged in the business of manufacturing of solar panel and PV Module. Product includes Polycrystalline PV module 335, Polycrystalline PV Module 340, Polycrystalline PV Module 330, Polycrystalline DCR PV Module 330, and Polycrystalline DCR PV Module 335 and they are currently manufacturing Polycrystalline PV Module 335 and rest is under planning to manufacture all kind PV Module. The Directors of Onix-Tech Renewable Private Limited are Mr. Nihkil Hareshbhai Savaliya and Mr. Khilan Hareshbhai Savaliya.

About the Corporate Guarantor

ORL 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.



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Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	0.02	185.30
EBITDA	(0.34)	19.98
PAT	(0.36)	13.12
Total Debt	3.52	40.00
Tangible Net Worth	(0.35)	22.76
EBITDA Margin (%)	NM**	10.78
PAT Margin (%)	NM	7.08
Overall Gearing Ratio (x)	(21.58)	1.93
Interest Coverage (x)	NM	5.71

* Classification as per Infomerics' standards.

**Non Meaningful

Financials of the Corporate Guarantor Onix Renewables Limited (Consolidated):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	146.46	323.66
EBITDA	12.57	48.15
PAT	9.08	37.62
Total Debt	9.47	36.13
Tangible Net Worth	18.63	103.41
EBITDA Margin (%)	8.58	14.88
PAT Margin (%)	6.19	11.62
Overall Gearing Ratio (x)	0.78	0.40
Interest Coverage (x)	10.94	41.51

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	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 Fund-Based Bank Facilities – Cash Credit	Long Term	35.00	IVR BBB [CE]/ Stable (IVR Triple B [Credit Enhancement] with Stable Outlook) Unsupported IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	--	--	--

*CE Rating based on corporate guarantee provided by Onix Renewables Limited.

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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



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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.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	Revolving	35.00	IVR BBB [CE]/ Stable Unsupported: IVR BB+/ Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-OnixTech-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:



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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.

