Jupiter International Limited

September 02, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	26.00 (includes proposed facility of 0.64)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	**Simple**
Total	**26.00 (Rs. Twenty-six crore only)**				

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

The long-term rating assigned to the bank facilities of Jupiter International Limited (JIL) derives comfort from its experienced promoters with established track record, increase in demand of the manufactured products, favourable change in government policies, capital support in current financial year and continuous increase in scale with improvement in profitability in FY24 (refers to period April 1st, 2023, to Mar 31st, 2024). These rating strengths are partially offset by susceptibility of profitability to volatility in raw material prices, moderate financial risk profile, project risk, exposure to foreign exchange fluctuations and capital-intensive nature of industry.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with improvement in operating margin on a sustained basis
- Growth in cash accrual and satisfactory liquidity
- Further improvement in capital structure leading to improvement in leverage ratios

Downward Factors

- Any decline in revenue and operating margin on a sustained basis
- Moderation in the capital structure with further deterioration of overall gearing ratio
- Deterioration in debt protection metrics and Total debt/NCA
- Completion of project without cost and time overrun

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with established track record**

The promoters have long-standing experience in production and selling of solar cell in the domestic market. JIL is one of the few soler cell manufacturers in the country at present. The company started its business operation since 1978 and started solar cell manufacturing by subsidiary company since 2009 and JIL started soler cell manufacturing from 2017. Thus, enjoying long track record of operation. The company was started by Mr. Raj Kumar Garodia, founder Chairman, who is having over five decades of experience. Currently, Mr. Alok Garodia, managing director, looks after day-to-day affairs of the company along with other directors and a team of experienced personnel. All the directors are having vast experience in related industry.

- **Increase in demand of the manufactured products**

With the limited availability of natural fossil fuels and change in consciousness on pollution and increase in demand of power, renewable energy like solar power demand has been increasing continuously. JIL manufactures solar cell, which is a major part of solar power module. Thus increases the demand of the same worldwide including India.

- **Favourable change in Government policies**

Government of India plays a pivotal role to boost domestic solar module manufacturers. In the recent move, GoI has imposed basic custom duty (BCD) of 40% on imported solar module and 25% BCD on imported cells. This apart, the Government has also issued Approved List of Models and Manufacturers (ALMM), where all the Government solar projects and Government funded projects has to sources from enlisted domestic model suppliers. This apart, Government has also launched schemes like Rooftop Solar/PM Surya Ghar Muft Bijli Yojana, Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyaan (PM KUSUM), Central Public Sector Undertaking (CPSU) Scheme Phase-II etc., where user will receive solar module installation subsidies, which will provide further demand of solar module and thereby solar cells.

- **Capital support in current financial year**

During July 2024, a group of inventors lead by private equity firm Value Quest Scale Fund, has infused a capital of Rs.290 crore in the form of Compulsorily Convertible Preference Shares (CCPS) in the company. This apart, another Rs.10 crore of capital will be infused by the same group of investors for totalling Rs.300 crore of fresh capital to be utilised in the proposed expansion plan of integrated soler cell manufacturing unit in Odisha.

- **Continuous increase in scale with improvement in profitability in FY24**

Total Operating Income (TOI) have been increasing continuously at a CAGR of ~24% during last three financial years and the same was at ~Rs.579 crore in FY24 on the back of increase in demand from domestic solar module manufacturers coupled with stabilisation of production in newly installed mono-PERC unit where average realisation was also high. This apart, after a major decline in operating profit in FY23 (refers to period April 1st, 2022, to Mar 31st, 2023) due to increase in imported raw material costs and fluctuating forex rate coupled with high overhead costs from newly installed monocrystalline solar cell plant and also made a net loss from operation due to loss on sell of fixed assets and inventory losses due to obsolescence of stock of stores and spares, operating profit has increased significantly in FY24 with the stability of raw material costs and forex rates with proportionate increase in sale of high margin mono-PERC. PAT level and margin moved in line with operating profit and the same was at 7.11% at the end of FY24.

Key Rating Weaknesses

- **Susceptibility of profitability to volatility in raw material prices**

Operating performance remains susceptible to volatility in raw material prices. The company's profitability is vulnerable to sharp fluctuations in raw material prices, which is majorly imported from China. Silicon wafer is the primary raw material for solar cell manufacturing and prices have been volatile in recent years and thus the company's profitability remains susceptible to any adverse movement in the same. This apart, as the company is solely dependent in import from China, any economic and geopolitical pressure may impact the raw material import and thereby continuous production.

- **Moderate financial risk profile**

Financial risk profile of the company remained satisfactory over the years marked by leveraged capital structure and moderate debt coverage indicators with moderate liquidity.

Capital structure, marked by overall gearing ratio, remained leveraged over the years and the same was significantly deteriorated as on March 31, 2023, with the accretion of net loss in reserve which resulted in decline in net worth as on the same date. However, the same, though remained leveraged, has improved to 2.88x as on March 31, 2024, on the back of accretion of profit to reserve and repayment of term loan. However, Infomerics expects, with the infusion of fresh capital in the current fiscal, the capital structure will be comfortable from FY25 (refers to period April 1st, 2024, to Mar 31st, 2025) onwards. Debt coverage indicators marked by interest coverage ratio satisfactory in FY24 with the increase in operating profit. Total debt to NCA was moderate at 2.24x as on March 31, 2024. TOL/ATNW, though improved as on March 31, 2024, remained high at 4.69x with the high outside borrowings. Liquidity marked by current ratio was below unity as on March 31, 2024, due to high CPLTD.

- **Project Risk**

In the view of increase in demand of solar cell from solar module manufacturers with the changes in solar equipment import policy of Government of India and floating of various Government schemes, JIL is planning to expand its production capacity of solar cell to increase its market share and has initiated an expansion plan in the form of integrated manufacturing plant in Odisha for manufacturing solar panels as well. The total project cost of the said capex is of around Rs. 600 crore, which will be financed by fresh infusion of Compulsory Convertible Preference share (CCPS) of Rs.300 crore, bank term loan of Rs.100 crore and internal accrual of Rs.200 crore. However, the project is at a nascent stage presently. Financial closer is partially achieved as the company has received CCPS of ~Rs.290 crore after allotting share to private equity firms lead by ValueQuest S.C.A.L.E. PE fund and balance Rs.10 crore will be issued with in FY25. Currently no expenses incurred by the company for the proposed project. The company has applied for land to Government of Odisha for long term lease. Expected COD of the project is September 2025. Apart from this, JIL has entered into a joint venture agreement with AmpIn Energy Transition during 2023 and implementing a 1.3mw integrated solar cell and module plant in Odisha with an investment of Rs.55 crore, where JIL will owned 54% of share in joint venture. The project implementation has already been started and expected COD is March 2025.

- **Exposure to foreign exchange fluctuations**

Although the company not into export, but majorly imports its raw material, silicon wafer, resulted in exposed to unforeseen risk of foreign exchange price movements, as the import bills are generally in US$ terms. However, according to the management, though there is no sanctioned derivative facilities, to mitigate foreign exchange fluctuation risk, the company raises sales invoice in USD as well as book raw material at the same day in USD also. In this way forex fluctuation risks mitigates to some extent.

- **Capital intensive nature of industry**

Solar cell and module manufacturing business is a capital-intensive nature of industry, where initial requirement of capital is high to implement the production unit. Being a newer sector with continuous change in technology, continuous flow of capital is needed to upgrade the facilities and thereby retain the market share.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

JIL has earned a gross cash accrual of Rs. 77.96 crore in FY24 (provisional). Further the company is expected to earn a gross cash accrual in the range of ~Rs. 158.78 to Rs. 371.73 crore as against its debt repayment obligations around ~Rs.7.36 to Rs.68.34 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained low at ~26% during the past 12 months ended June 2024 indicating sufficient liquidity cushion.

About the Company

Jupiter International Limited (JIL) was incorporated in September 1978 by one Garodia family of Kolkata to carry out business of jute trading. Subsequently, since 1990, the company diversified to trading & manufacturing of computer hardware and peripherals under the brand name of “Frontech” and later during 2004, the company had entered into manufacturing of optical media like CD and DVD by setting up an unit at Baddi in Himachal Pradesh. However the computer peripherals and optical media business was discontinued from FY19. Further, the promoters had started its solar cell manufacturing business from 2009 through a subsidiary, namely Jupiter Solar Power Limited (JSPL), and later, since 2017, also installed a 301 MW multi-crystalline solar cell manufacturing plant at Baddi under JIL. Since 2023, JSPL plant discontinued and replaced with a 500MW Mono-Passivated Emitter and Rear Cell (mono-PERC) and demerged with JIL. Currently JIL has total installed capacity of 801MW. The company imports its basic raw material (silicon wafers) from China and sells finish products to domestic solar module manufacturers and other related industries. The company and manufacturing facilities are certified as ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Currently, Mr. Alok Garodia, Managing Director, looks after day-to-day affairs of the company along with other directors and a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	429.99	579.17
EBITDA	21.64	113.85
PAT	-35.89	41.29
Total Debt	216.51	174.67
Adjusted Tangible Net Worth	-2.83	51.94
EBITDA Margin (%)	5.03	19.66
PAT Margin (%)	-8.34	7.11
Adjusted Overall Gearing Ratio (x)	-76.37	3.36
Interest Coverage (x)	0.86	3.04

* *Classification as per Infomerics’ standards.*

Status of non-cooperation with previous CRA: CARE Ratings vide its press release dated December 04, 2023 has moved the rating under Issuer Not Cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 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 in 2021-22
1.	Term Loan	Long Term	7.06	IVR BBB-/ Stable	-	-	-
2.	Cash Credit (including proposed limit)	Long Term	18.94	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: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Sept 2031	7.06	IVR BBB-/ Stable
Cash Credit	-	-	-	-	18.30	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	-	0.64	IVR BBB-/ Stable

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-Jupiter-International-sep24.pdf

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

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