

February 23, 2021

Solar Industries India Limited: Update on Material Event

Summary of rating(s) outstanding

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Commercial Paper	100.00	100.00	[ICRA]A1+
Total	100.00	100.00	

**Instrument details are provided in Annexure-1*

Rationale

Material Event

The background:

Solar Industries India Limited (SIIL or the company) vide its publication dated August 28, 2020 had informed that Mr. Kailash Chandra Nuwal, Executive Director and Vice Chairman of the company had vacated the office of Director with effect from November 7, 2019 on account of failure to make disclosures of his shareholding and directorship in AG Technologies Private Limited in the correct / complete format. AG Technologies Private Limited was (and continued to be) related party as per the said publication.

Mr. Kailash Chandra Nuwal & others had subsequently instituted proceedings by way of a company petition before the Hon'ble National Company Law Tribunal, Mumbai (NCLT). Subsequently, the company has informed the stock exchange regarding the recent order pronounced by the NCLT on February 11, 2021 wherein it has refrained the company from interfering and obstructing Mr. Kailash Chandra Nuwal from acting as Director and Vice Chairman of the company.

NCLT order:

With the said NCLT order, Mr. Kailash Chandra Nuwal would now be expected to be reinstated in the office of Director of the company.

Impact of the Material Event

The rating remains unchanged at the earlier rating of [ICRA]A1+. As per the discussion with the management, the company as per the legal advice has commenced the process to appropriately challenge the order. ICRA, however, will continue to monitor developments in this regard and would evaluate the impact of the same, if any, on the business profile of SIIL going forward.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Consolidation and Rating Approach
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SIIL. As on March 31, 2020, the company had 6 subsidiaries, 17 step-down subsidiaries, 2 associates and 1 entity with joint control/significant influence, which are enlisted in Annexure-2.

About the company

SIIL is the flagship company of the Solar Group, which is promoted and headed by Mr. Satyanarayan Nuwal. The company initially commenced trading of explosives in 1983 and ventured into explosive manufacturing in 1996. SIIL along with its subsidiaries manufactures bulk explosives, packaged explosives and initiating systems, which find applications in the mining, infrastructure and construction industries. The Group forayed into the defence segment in 2010 and diversified into manufacturing of propellants for missiles and rockets, warheads and warhead explosives. Currently, there are 29 manufacturing plants across nine states in India in addition to five overseas units in Zambia, Ghana, Nigeria, Turkey and South Africa. In 2019, SIIL formed an association with Indian Space Research Organisation (ISRO). The company has also established Centre of Excellence for Life Assessment for Explosives and Ammunition. The head office of the Group is located in Nagpur (Maharashtra).

The group reported PAT of Rs. 278.7 crore on an operating income of Rs. 2,237.3 crore in FY2020, as compared to PAT of Rs. 276.8 crore on an operating income of Rs. 2,461.6 crore in the previous fiscal, i.e. FY2019.

Key financial indicators (audited)

SIIL Consolidated	FY2019 Audited	FY2020 Audited	H1FY2021 Unaudited
Operating Income (Rs. crore)	2,461.6	2,237.3	1,078.4
PAT (Rs. crore)	276.8	278.7	111.6
OPBDIT/OI (%)	21.5%	20.2%	20.2%
PAT/OI (%)	11.2%	12.5%	10.3%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	0.7	0.8
Total Debt/OPBDIT (times)	1.1	1.6	1.6
Interest Coverage (times)	10.6	8.2	9.1

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT: Profit after Tax
Source: Consolidated financial statements of SIIL and ICRA research

SIIL Standalone	FY2019	FY2020	H1FY2021
	Audited	Audited	Unaudited
Operating Income (Rs. crore)	1663.2	1511.5	649.0
PAT (Rs. crore)	191.5	213.4	78.8
OPBDIT/OI (%)	19.5%	17.8%	17.7%
PAT/OI (%)	11.5%	14.1%	12.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.4	0.4
Total Debt/OPBDIT (times)	0.5	0.5	0.7
Interest Coverage (times)	27.2	22.1	34.5

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT: Profit after Tax

Source: Consolidated financial statements of SIIL and ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Feb 23, 2021 (Rs. crore)	Date & Rating in Feb 23, 2021 Dec 18, 2020	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
1	Commercial Paper	Short-term	100.0	50.0	[ICRA]A1+	NA	[ICRA]A1+; (Withdrawn)	[ICRA]A1+

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](https://www.icra.in)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE343H14113	Commercial Paper	Dec 23, 2020	3.4%	Mar 23, 2021	50.0	[ICRA]A1+
NA	Commercial Paper (Proposed)	NA	NA	NA	50.0	[ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Subsidiaries		
Economic Explosives Limited	100.00%	Full Consolidation
Blastec India Private Limited	100.00%	Full Consolidation
Emul Tek Private Limited	100.00%	Full Consolidation
Solar Defence Limited	100.00%	Full Consolidation
Solar Defence Systems Limited	100.00%	Full Consolidation
Solar Overseas Mauritius Limited	100.00%	Full Consolidation
Solar Mining Services Pty Limited, South Africa	86.74%	Full Consolidation
Nigachem Nigeria Limited	55.00%	Full Consolidation
Solar Overseas Netherlands B.V.	100.00%	Full Consolidation
Solar Explochem Zambia Limited	65.00%	Full Consolidation
Solar Patlayici Maddeler Sanayi Ve Ticaret Anonim Sirketi	100.00%	Full Consolidation
P.T. Solar Mining Services	100.00%	Full Consolidation
PATSAN Patlayici Maddeler Sanayi Ve Ticaret Anonim Sirketi ¹	53.00%	Full Consolidation
Solar Nitro Ghana Limited	90.00%	Full Consolidation
Solar Madencilik Hizmetleri A.S	100.00%	Full Consolidation
Solar Overseas Netherlands Cooperative U.A	99.99%	Full Consolidation
Solar Overseas Singapore Pte Ltd	100.00%	Full Consolidation
Solar Industries Africa Limited	100.00%	Full Consolidation
Solar Nitro Zimbabwe (Private) Limited	100.00%	Full Consolidation
Solar Nitro Chemicals Limited	65.00%	Full Consolidation
Solar Mining Services Pty Ltd, Australia	76.00%	Full Consolidation
Solar Mining Services Cote d'Ivoire Limited SARL	100.00%	Full Consolidation
Laghe Venture Company Limited	55.00%	Full Consolidation
Associates		
SMS Bhatgaon Mines Extension Private Limited ²	49.00%	Full Consolidation
Solar Bhatgaon Extension Mines Private Limited ²	49.00%	Full Consolidation
Entities with joint control or significant influence over the entity		
ASTRA Resources Pty Limited	49.00%	Full Consolidation

Source: Company

Note:

¹ The entity is under liquidation

² The entity is under process of striking off

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