Swelect Energy Systems Ltd — 05 Feb 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	**Reaffirmed** (A- / Stable / A2+)
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	1. **Revenue Diversification:** Shift from UPS/Foundry to Solar PV, EPC, and IPP; solar module turnover expected to offset foundry business exit. 2. **Low Counterparty Risk:** Long-term PPAs with SECI, TANGEDCO, and CESC provide high revenue visibility. 3. **Healthy Capital Structure:** TOL/ANW ratio maintained < 1x for 3 consecutive years; Networth remains robust. 4. **Execution Risks:** Exposure to weather-dependent solar irradiance and intense global competition (especially from China) in module manufacturing.
Rated Instruments	• **Bank Facilities (Fund Based):** □345.0 Cr
Key Observations	1. **Liquidity:** Strong; □290 Cr debt being contracted against Mutual Funds to free up liquidity for IPP debt servicing. 2. **Financial Strength:** FY24 PAT at □63.1 Cr with a high PAT margin of 26.59%. 3. **Coverage Stress:** Interest coverage ratio is relatively low at **1.54x**, indicating thin headroom for earnings volatility. 4. **Experience:** Over 3 decades in power electronics/solar under technocrat promoter Mr. R. Chellapan. 5. **Utilization:** Moderate bank limit utilization at 73% over the last 12 months. 6. **Regulatory Risk:** High dependence on domestic content requirements and govt. duties on imports to remain competitive.
Investor Impact	• **Growth:** Driven by solar module manufacturing scaling to offset the exited foundry business. • **Margins:** Currently healthy (26.6%), but vulnerable to global solar module price crashes. • **Leverage:** Debt/Networth at 0.67x is comfortable; new debt is backed by liquid assets (MFs). • **Dilution Risk:** Low, given strong cash flow fungibility and internal accruals.
Agency / Cross Analysis	**Same Agency:** CRISIL maintained the rating upgrade path established in late 2022 (BBB+ → A-). Compared to the last review, the exit from the foundry business is now fully reflected, and the focus has shifted entirely to the 1.5 GW solar module capacity. **Conclusion:** Stability. The agency remains comfortable with the capital structure despite the low interest coverage ratio.
Final Inference	**Real Improvement:** The transition to a pure-play renewable energy firm is complete with healthy margins. **Risk Signal:** The **1.54x interest coverage** is a "yellow flag" for equity investors; any significant dip in solar PLF or module pricing could quickly squeeze cash flows available for shareholders.