

INSOLATION ENERGY LTD.

Engaged in the business of solar module manufacturing (40Wp to 540 Wp) & trading of Solar PCU & lead acid batteries

Current Capacity : 700 MW [500 MW got added Recently & will be operational by Dec- 2022)]

Future plans: 500 MW solar module + 500 MW solar cell capacity (in next 3 yrs)

BUSINESS CHARACTERISTICS:

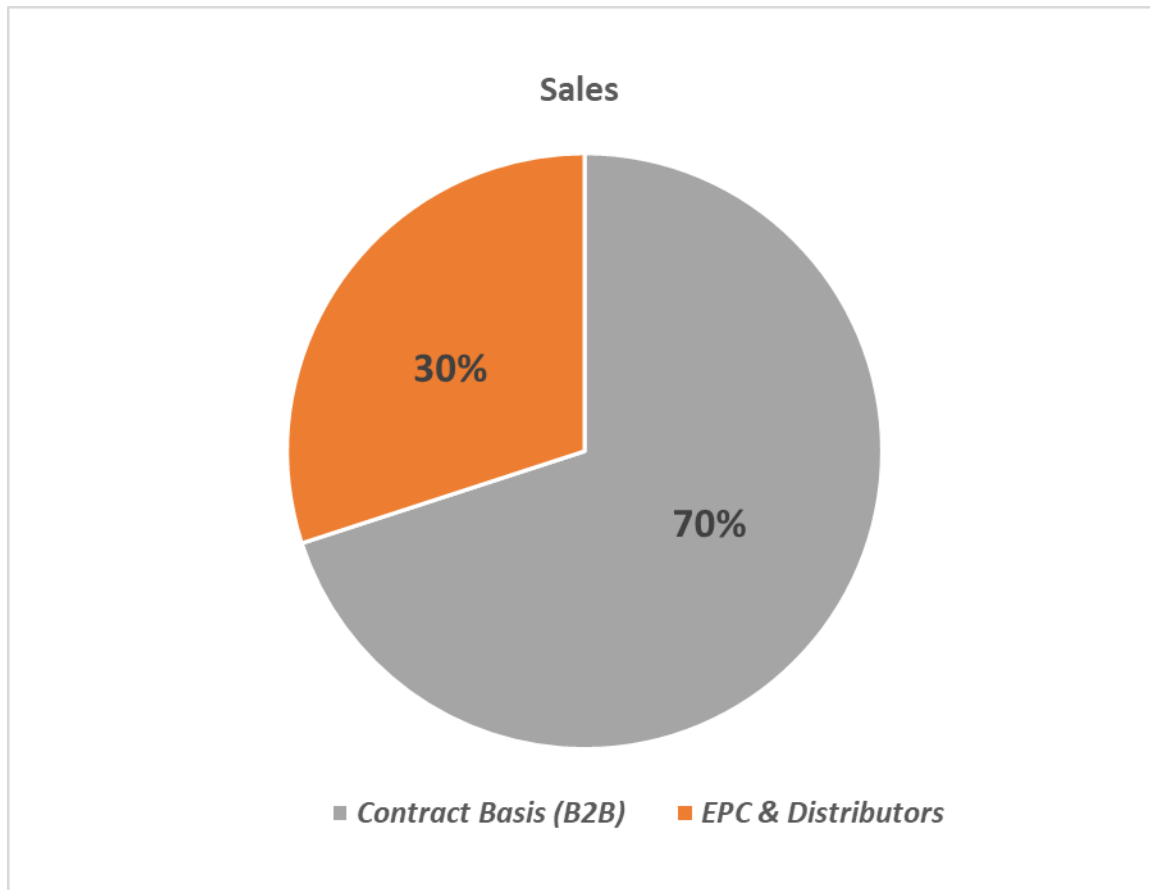
- **Low degree of operating leverage** (as 80-85% of revenue is consumed by raw material expenses)

Future Estimates by Management

(Sales in FY-22 was 215 crores.)

	FY-23	FY-24	FY-25
Sales Estimates by Management	375-400 cr	600-700 cr	1000 cr

ORDER BOOK



Key domestic Customers:

- Livguard Energy Technologies Pvt Ltd
- Livfast Batteries Pvt Ltd
- Shakti Pumps India Ltd
- Microtek International P. Ltd
- Zunroof Tech Pvt Ltd

Key Triggers in Solar Module Manufacturing in India

The focus of entire world upon clean energy in order to battle with the global warming & climate change.

At present, India has 20 GW annual capacity for manufacturing solar modules & 4.5 GW of annual capacity for manufacturing solar cells.

And Govt of India has decided to install 500 GW of renewable energy in India by 2030. Out of this 280 GW will be procured from solar energy.

Till 30 June 2022; total installed capacity from solar is around 58 GW so we are yet to install 222 GW of solar energy infrastructure.

So there is a huge demand-supply gap in domestic manufacturing of solar modules for which govt has been announcing various schemes like PLI of 24000 cr & imposition of BCD of 40% on import Modules & 25% on import of cells.

INDUSTRY ANALYSIS (From India's perspective)

Pricing Power of Suppliers : Medium to High

As Indian solar module manufacturers are dependent on China, Vietnam, Malaysia, Taiwan etc. for its raw materials requirements. And China controls more than 90% of supply chain of solar modules for the entire world.

Pricing Power of Customers: Low to Medium

Since most of the demand for solar energy will come from govt department so in order to win these govt tenders, the bidders have to design their contract with most cost effective system to win over other bidders.

But because there is a huge gap in demand & supply for solar modules so currently customers has low pricing power.

Intensity of Competition : High

Indian players face competition from both domestic as well as international players. But going forward only those players will be able to grab the market who will focus on backward integration.

Threat of new entrants : Medium

Only the time & capital required to set up the manufacturing facility is the entry barrier.

Threat of Substitutes: Low

Since, India is geographically located at a position where most part of the country experience at least 300 sunny days. Also, due to its geographic position, other major sources of renewable energy (wind & hydro) are only feasible in a small part

of the country so they cannot make a substitute for solar in India. Also, the declining cost of solar energy over the years has supported this transition in India.

FINANCIALS

Checklist

Debt/ Equity = 1.29 (considerable) **PASS**

Interest Coverage Ratio = 5 **PASS**

	Insolation Energy	Vikram Solar	Waaree Energies
EBITDA %	6-7%	8-11 %	5-6%
PAT %	3-4%	2%	2-2.5%
RoE	30-40% (Networth = 22 cr)	10-13%	14-32% (32% in FY-20)
RoCE	30-40 % (Total Capital Employed = 53 cr)	14-15%	15-33% (33% in FY-20)
EBITDA to OCF	50-75%	150%	75-90%

Conclusion : PASS

Reason : Basic Financial Metrics are considerable if we compare them with Industry Leaders.

POSITIVES :

- Company's solar module has received quality certificate from BIS.
- Insolation energy is included in the **Approved List of Module Manufacturers by MNRE** which means that company's solar modules are eligible for use in Govt. projects.
- Only **few related party transactions** are there.
- Management consists of Mr. Kuldeep Singh Popli who had served as a Chairman of IREDA & Mr. Akhilesh Kumar Jain who had served as a MD in REIL.
- Company has a dedicated customer service team in Rajasthan and Uttar Pradesh to resolve issues related to its products and services.
- **40% sales growth in FY-22.**

RISKS/ NEGATIVES/ CHALLENGES

- **Inventory management** is one the challenges for module manufacturers.
- Ensuring the supply of quality product is very important as solar module manufacturers have to **claim a warranty of 25 years for 80% cost.**
- Major portion of company's revenue comes from Top 5 customers who accounts for around 45-50% of total sales. (**Customer Concentration**)
- Insolation energy has been taking benefit of **EPCG scheme** by govt which make them liable to fulfil certain export obligations. In case company is not able to fulfil **those export obligations by 2024** then company will have to pay a **penalty of 2 cr** to Govt. (**CONTINGENT LIABILITY**)

Contingent Liability

We currently avail benefits under certain export promotion schemes, namely, Export Promotion Capital Goods ("EPCG") licenses in the form of import duty savings amounting to Rs. 89,77,684.23 and Rs. 14,87,120.00 respectively. As per the licensing requirement under the said scheme, we are bound by certain export obligations which require us to export goods of a defined amount, failing which, we may have to pay the Government, a sum equivalent to the duty benefit enjoyed by us under the said schemes along with interest. Thus, under the said scheme, total export obligation ("EO") is 6 times of duty saved in six years from the date of License in two blocks i.e., 50% of EO in 1st block (Year 1 to Year 4) and balance 50% of EO in 2nd block (Year 5 to Year 6). The risk associated is if EO will not be fulfilled till the end of EO period then the Company will have to make payment of Import duty in proportion to the EO not fulfilled along with maximum applicable Interest amounting to Rs. 80,79,918.00 (for License – I) and Rs. 13,38,408.00 (For License – II). (As per para 5.23 of Chapter 5 of Foreign Trade Policy 2015-2020). However, the amount of interest required to be paid shall be proportionate to the EO not fulfilled.

The details of the EPCG licenses, amount of duty saved, details of block-wise export obligation, validity of EO period, applicable interest, etc. have been detailed in the table as under:

S.No.	Particulars	Amount	Machinery imported
LICENSE – I dated 03.01.2017			
A	Duty saved under EPCG	Rs. 89,77,684.23	<ul style="list-style-type: none"> ▪ Automatic single stage laminator ▪ Automatic Stringer ▪ Automatic Layup ▪ EI Tester Machine ▪ 50MW module manufacturing automation line with conveyors and relevant parts and accessories.
B	Export Obligation (EO)		
	– 1st Block Year (03/01/2017 to 02/01/2021)	\$3,91,468.79	
	– 2nd Block Year (02/01/2021 to 02/01/2023)	\$3,91,468.79	
	Total EO (FBO basis)	\$7,82,937.57	
C	Unfulfilled Export obligation liability		
	Duty Saved Amount	Rs. 89,77,684.23	
	Interest @15% PA (if duty pay on 02/01/2023)	Rs. 80,79,918.00	
	Total Liability after Six Year	Rs. 1,70,57,602.23	
LICENSE – II dated 09.01.2018			
A	Duty Saved under EPCG	Rs. 14,87,120.00	<ul style="list-style-type: none"> Automatic single stage laminator (including Oil Tank Unit, Loading / Unloading CV, Chinese Vaccum Pump and other accessories)
B	Export Obligation (EO)		
	– 1st Block Year (09/01/2018 to 08/01/2022)	\$68,742.06	
	– 2nd Block Year (09/01/2022 to 08/01/2024)	\$68,742.06	
	Total EO (FBO basis)	\$1,37,484.12	
C	Unfulfilled Export obligation liability		
	Duty Saved Amount	Rs. 14,87,120.00	
	Interest @15% PA (if duty pay on 08/01/2024)	Rs. 13,38,408.00	
	Total Liability after Six Year	Rs. 28,25,528.00	
	Total Liability of the Company	Rs. 1,98,83,130.23	

RELATED PARTY TRANSACTIONS

- Siddhartha Sharma (who own 3% stake in company) has given loan of worth 1.44 cr to Insolation Green energy Pvt Ltd (a wholly owned subsidiary of Insolation Energy)
- Insolation Energy has continuously been selling its products to Fluidcon Engineers (a distribution & trading company of promoters).

ANNEXURE 28: RESTATED STATEMENT OF RELATED PARTY TRANSACTION

(Amount in Lakhs)

Name of Party	Nature of Relation	Nature of Transaction	O/s as on 31.03.2022 Payable / (Receivable)	Transaction debited in 01-04-2021 to 31-03-2022	Transaction credited in 01-04-2021 to 31-03-2022	O/s as on 31.03.2021 Payable / (Receivable)
Vikas Jain	Managing Director	Unsecured Loan	0.50	43.25	15.50	28.25
		Director Remuneration	3.35	60.00	59.23	2.58
		Lease Rent	-	36.00	36.00	-
Manish Gupta	Whole Time Director	Unsecured Loan	0.50	3.25	0.50	3.25
		Director Remuneration	3.35	60.00	59.23	2.58
		Lease Rent	-	36.00	36.00	-
Akhilesh Kumar Jain	Non-Executive Director	Director Remuneration	1.34	3.87	2.53	-
Fluidcon Engineers		Sales (Incl. GST)	(38.70)	192.12	165.47	(12.05)
		Purchase	-	29.36	29.36	0.00
Pinkcity Pipe Fittings Pvt. Ltd.		Sales (Incl. GST)	-	-	2.44	(2.44)
		Purchase	-	-	-	-

RED FLAGS

- The properties where the registered office and manufacturing facilities of company are situated in Jaipur and Delhi are not owned by company and the same have been taken on lease from the promoters; Mr. Manish Gupta and Mr. Vikas Jain.

The Rent has been increased from 9 lakhs in FY-20 to 36 lakh in FY-21 to 72 lakhs in FY-22.

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Vikas Jain	Managing Director	Unsecured Loan	-	43.25	15.00	28.25	106.00	65.00
		Director Remuneration	3.35	60.00	59.23	2.58	42.00	39.42
		Lease Rent	-	36.00	36.00	-	18.00	18.00
Manish Gupta	Whole Time Director	Unsecured Loan	-	3.25	-	3.25	90.00	50.00
		Director Remuneration	3.35	60.00	56.65	2.58	42.00	39.42
		Lease Rent	-	36.00	36.00	-	18.00	18.00
Akhilesh Kumar Jain	Non-Executive Director	Director Remuneration	1.34	3.87	2.53	-	-	-
Fluidcon Engineers		Sales (Incl. GST)	(38.70)	192.12	165.47	(12.05)	44.80	55.58
		Purchase	-	29.36	29.36	0.00	86.54	86.54
Pinkcity Pipe Fittings Pvt. Ltd.		Sales (Incl. GST)	-	-	2.44	(2.44)	2.25	0.01
		Purchase	-	-	-	-	-	-

							(Amount in Lakhs)	
Name of Party	Nature of Relation	Nature of Transaction	O/s as on 31.03.2019 Payable / (Receivable)	Transaction debited in 01-04-2019 to 31-03-2020	Transaction credited in 01-04-2019 to 31-03-2020	O/s as on 31.03.2020 Payable / (Receivable)		
Vikas Jain	Managing Director	Unsecured Loan	148.25	104.00	75.00	69.25		
		Director Remuneration	1.20	30.00	29.30	1.90		
		Lease Rent	-	4.50	4.50	-		
Manish Gupta	Whole Time Director	Unsecured Loan	112.25	69.00	-	43.25		
		Director Remuneration	1.20	30.00	29.30	1.90		
		Lease Rent	-	4.50	4.50	-		
Fluidcon Engineers		Sales (Incl. GST)	(29.64)	100.85	110.03	(20.46)		
		Purchase	3.28	50.79	47.51	0.00		
Pinkcity Pipe Fittings Pvt. Ltd.		Sales (Incl. GST)	-	-	-	-		
		Purchase	-	-	-	-		

- **Risun Insolation Solar Energy Pvt Ltd**
(a personal company of promoters)

Its office/ plant is situated **at same location where the plant of Insolation Energy Ltd is located.** (Although no revenue has been shown from this company)

company was changed to **"Insolation Energy Limited"** pursuant to the issuance of Fresh Certificate of Incorporation dated February 07, 2022 by Registrar of Companies, Jaipur, Rajasthan. The Corporate Identification Number of our company is U40104RJ2015PLC048445. The registered office of our company is situated at G-25, City Centre, S.C. Road, Jaipur - 302001 and **manufacturing unit is situated at Khasra 766/2, Village Bagwada, Tehsil Amer, Near Daulatpura Toll Tax Jaipur - 303805.**


RISUN INSOLATION SOLAR ENERGY PRIVATE LIMITED
 Regd. Office: K.NO.-766/02 Village Bagwara Tehsil Amer,
Near Daulatpura Toll Tax Jaipur RJ 303805 Same address of plant
 as that of
 Insolation Energy Ltd.
 CIN: U31904RJ2019PTC066793
 Email Id: manish@insolationenergy.in
 Phone No. 9829015235

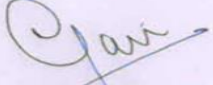
LIST OF SHAREHOLDERS AS ON 31.03.2021

S. N O.	Name of Shareholders	Father/ Husband Name	Address	Type of Share	Ledge r Folio No.	No. of Share	Amount per Share	Total
1	VIKAS JAIN	Mahendra Kumar Jain	AA-9A,Hari Marg Tonk Road Jaipur	Equity	01	5000	10	50000
2	MANISH GUPTA	Subash Chandra Gupta	A-134,Model Town-B Malviya Nagar Jaipur	Equity	02	5000	10	50000
3	JUGEN LI	Shui Zhu Li	No.4, Building 17, Bingqu No.1210, North Ladong Road, Yushui District, Xinyu City, Jiangxi, Province	Equity	03	10000	10	100000
TOTAL						20000		200000

Shareholding for → **FOR RISUN INSOLATION SOLAR ENERGY PRIVATE LIMITED**

Date: 02.08.2021
Place: Jaipur


 (MANISH GUPTA)
 Director
 DIN: 02917023


 (VIKAS JAIN)
 Director
 DIN: 00812760