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December 6, 2022

To,
The Executive Director
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai
Trading Symbol: "SOLARINDS"

To,
The Executive Director
Listing Department
BSE Limited
Floor no.25, PJ Towers,
Dalal Street,
Mumbai
Scrip Code: 532725

Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- Credit Rating.

Dear Sir,

Pursuant to the captioned subject, we are pleased to inform you that the "CRISIL Ratings Limited" has assigned "CRISIL AA+/Stable" rating to Non-Convertible Debentures and reaffirmed its rating on the other debt Instruments and bank facilities of Solar Industries India Limited as follows:

Type of Facility	Amount in (Rs. Crores)	Rating	Rating Action
Non-Convertible Debentures	60	CRISIL AA+/Stable	Assigned
Long Term	1479.5 (Enhanced from Rs. 1279.5)	CRISIL AA+/Stable	Reaffirmed
Short Term		CRISIL A1+	Reaffirmed
Commercial Paper	50	CRISIL A1+	Reaffirmed

The rating rational letter received from CRISIL is enclosed herewith.

This is for your information and record.

Thanking You

Yours truly,
For Solar Industries India Limited

Khushboo Pasari
Company Secretary &
Compliance Officer

Solar Industries India Limited

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Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL

An S&P Global Company

Rating Rationale

December 06, 2022 | Mumbai

Solar Industries India Limited

'CRISIL AA+/Stable' assigned to non-convertible debentures; rated amount enhanced for bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.1479.5 Crore (Enhanced from Rs.1279.5 Crore)
Long Term Rating	CRISIL AA+/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

Rs.60 Crore Non Convertible Debentures	CRISIL AA+/Stable (Assigned)
Rs.50 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.

The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its 'CRISIL AA+/Stable' rating to Rs 60 crore non-convertible debenture of Solar Industries India Limited (SIIL; a part of the Solar group) and reaffirmed its 'CRISIL AA+/Stable/CRISIL A1+' ratings on the other debt instruments and bank loan facilities.

The ratings continue to reflect the Solar group's robust market position in the domestic and overseas markets in the explosives and detonators industry, sound operating efficiency and healthy financial risk profile. These strengths are partially offset by susceptibility to regulatory changes and volatility in foreign exchange (forex) rates.

Revenue of the group grew by 57% to Rs 3,954 crore in fiscal 2022. This was driven by realisation growth (domestic realisations stood at Rs 71,404/tonne in the half year ended September 30, 2022, compared to Rs 33,479/tonne in the pre-pandemic fiscal 2021) owing to increasing raw material prices, primarily ammonium nitrate. In the first six months of fiscal 2023, a 15% volume growth has further supported the strong growth rate, with net sales of Rs 3,182 crore, a 97% year-on-year growth over the corresponding period of fiscal 2022. Increasing sales from Coal India Ltd (CIL; 'CRISIL AAA/CCR AAA/Stable/CRISIL A1+') and a growing portfolio of products catering to defence and infrastructure segments, combined with the rising international presence may lead to another ~50% sales growth in fiscal 2023. This is evident in the increase in the order book, to Rs 4,008 crore as on September 30, 2022, from Rs 2,982 crore as on March 31, 2022.

In terms of operating profitability, the group is able to pass on rising input costs to customers. The operating margin was 18.9% in fiscal 2022 and is projected at 18-20% over the medium term.

Liquidity will remain strong, driven by cash accrual of over Rs 500 crore per annum against annual capital expenditure (capex) of Rs 350-400 crore. Further, net gearing is expected at ~0.5 time aided by prudent funding of capex.

CRISIL Ratings takes note of the ongoing legal proceedings regarding vacation of office of the executive director, Mr Kailash Chandra Nuwal. The group filed an appeal with the Supreme Court against the impugned order passed by National Company Law Appellate Tribunal (NCLAT) on January 22, 2022. The litigation is ongoing with the appeal proceedings in the Supreme Court and has not impacted business of the Solar group as per the management. Nonetheless, CRISIL Ratings will continue to monitor the proceedings and any impact on operations will be a key monitorable.

Analytical Approach

CRISIL Ratings has combined the financial and business risk profiles of SIIL, its subsidiary, Economic Explosives Ltd ('CRISIL AA+/Stable/CRISIL A1+'), and other subsidiaries and stepdown subsidiaries. This is because all these entities, collectively referred to as the Solar group, have common management and significant business and financial linkages.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- Robust market position**

With market share of around 24% in the explosives industry, the group is one of the largest manufacturers and exporters of explosives and initiating systems in India. Its manufacturing unit in Nagpur is the world's largest single-location cartridge plant. It is one of the few players with complete product range and capability to develop and supply customised products. In addition to healthy growth in the domestic market, it has expanded significantly in the overseas market over the past few years. It is the largest supplier of explosives to CIL. The group entered into the defence business in 2010 and gained competitive advantage by setting up high-energy explosives, delivery systems, ammunition, rocket/missile integration, pyros,

igniters and fuse manufacturing facilities. Limited shelf life of explosives, continuous consumption by the armed forces, the Make in India focus and typical long-term defence contracts provide steady medium-term revenue visibility.

The group will maintain its robust market position, backed by orders worth Rs 4,008 crore as on September 30, 2022, in the domestic market and continued growth in the international market.

- **Sound operating efficiency with significant backward integration**

Majority of raw materials (apart from ammonium nitrate) such as detonator components, emulsifiers, sodium nitrate and calcium nitrate are manufactured internally, leading to cost savings, quality control and stable operating margin of 18-20% over the five fiscals through 2022. Also, all the bulk explosive manufacturing units are located in 50-60 kilometre radius from the major mining regions. The group has the ability to pass on fluctuations in raw material prices to customers through a price escalation clause in the contracts.

- **Strong financial risk profile**

Tangible networth was Rs 1,955 crore and gearing 0.54 time as on March 31, 2022. Debt protection metrics were comfortable, reflected in interest coverage ratio of 15.09 times and net cash accrual to total debt ratio of 0.48 time in fiscal 2022, against 12.59 times and 0.42 time, respectively, in fiscal 2021.

Weaknesses:

- **Exposure to regulatory risks**

The explosives industry has high entry barriers; players require industrial licensing and various clearances from government, Chief Controller of Explosives and Directorate General of Mines Safety. Furthermore, as per the Ammonium Nitrate Rules, 2012, ammonium nitrate (key raw material; accounts for 65% of the total raw material cost) is classified as an explosive. Hence, its production, distribution, sale and stocking require a licence. Sale of explosives is regulated by the Petroleum and Explosives Safety Organisation and the Joint Chief Controller of Explosives to prevent misuse of end products. Though the group takes precautions at all stages of the manufacturing process and is a member of SAFEX (an international apex body that promotes global best practices on safety standards in the explosives industry), it remains susceptible to regulatory risks.

- **Susceptibility to volatility in forex rates**

Partial import of raw material and operations in Nigeria, Ghana, Zambia, South Africa and Turkey expose the group to adverse currency fluctuations. In fiscal 2022, the group incurred translation loss of Rs 46 crore because of currency devaluation. To safeguard against volatility in forex rates, it has begun borrowing debt in local currency in the overseas markets, which reduces forex risk considerably. Also, it has started billing in USD in some markets. It hedges all imports and keeps exports open. However, on account of overseas presence, forex risk will persist.

Liquidity: Strong

Cash accrual, expected at over Rs 550 crore per annum in fiscals 2023 and 2024, will comfortably cover yearly debt obligation of Rs 150-200 crore. Cash and equivalent stood at around Rs 142 crore as on September 30, 2022. Expected capex of Rs 350-400 crore per annum will be funded through a mix of debt and surplus cash accrual. Unutilised bank limit will be sufficient to meet incremental working capital requirement. The group has a policy of paying 30% of profit after tax (PAT) as dividend but is expected to conserve cash over the medium term in light of growth opportunities.

Outlook: Stable

The Solar group will continue to maintain robust market position in the domestic explosives industry and witness healthy revenue growth in the overseas and defence businesses. Also, the financial risk profile will remain strong.

Environmental social and governance (ESG) profile

The ESG profile of the group supports its strong credit risk profile.

The explosives (chemical) sector has a significant impact on the environment owing to high water consumption and waste generation and also greenhouse gas emission. The sector's social impact is characterised by health hazards, leading to higher focus on employee safety and wellbeing and the impact on local community given the nature of its operations.

The group has continuously focused on mitigating its environmental and social risks.

Key ESG highlights

- The group has undertaken focussed efforts towards reduction in emission and energy intensity with initiatives such as installation of online continuous emission monitoring system at the boiler stack, conversion of chiller compressors of chlorofluorocarbon gases to A134. It has achieved 29% reduction in total energy intensity and 27% reduction in emission intensity in fiscal 2022.
- It has undertaken initiatives to achieve zero liquid discharge, use of treated effluent treatment plant water for gardening purposes and handling of sewage effluents in the sewage treatment plant. It achieved 33% reduction in water intensity.
- The group focuses on health and safety management, and is committed to achieving 'zero harm' and works on developing safety leadership at all levels.
- Percentage of local suppliers by value are at par with the industry average.
- SILL has reported that Mr Kailash Chandra Nuwal, Executive Director and Vice Chairman of Solar Industries India Limited has vacated 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, either on the date of becoming a director thereof or facilitating, without the prior approval of the Audit Committee, a Rent Agreement between Solar Industries India Limited and AG Technologies Private Limited, which was related party. There is an ongoing litigation related to the same as mentioned above.
- It has adequate governance structure with presence of investor grievance redressal mechanism, whistle-blower policy and extensive disclosures.

There is growing importance of ESG among investors and lenders. Continued commitment to ESG principles will play a key role in enhancing stakeholder confidence and ensure ease of raising capital from markets where ESG compliance is a key factor.

Rating Sensitivity factors

Upward factors

- Significant scale up in operations with increasing geographic diversity while maintaining profitability at current levels of 18-20%
- Sustenance of financial risk profile

Downward factors

- Weaker-than-expected operating performance, with operating margin falling below 16%
- Significant moderation of capital structure and debt protection metrics owing to sizeable, debt-funded capex or acquisition or large working capital requirement
- Lower-than-expected contribution from the defence business
- Any regulatory change significantly impacting the operations of the company

About the Group

The Solar group is one of the largest domestic manufacturers of bulk and cartridge explosives, detonators, detonating cords and components. It has manufacturing facilities in 29 locations in India, and plants in Nigeria, Zambia, Ghana, South Africa, Turkey and Tanzania (with Indonesia, Thailand and Australia coming up). In fiscal 2010, the group entered the defence sector to manufacture high-energy explosives, delivery systems, ammunition filling and pyros fuses.

Key Financial Indicators (Consolidated)

As on / for the period ended March 31	Units	2022	2021
Operating income	Rs crore	3954	2522
PAT	Rs crore	455	288
PAT margin	%	11.5	11.4
Adjusted debt / adjusted networkth	Times	0.54	0.50
Interest coverage	Times	15.09	12.59

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the ?Annexure ? Details of Instrument? in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities ? including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisil.com/complexity-levels. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Commercial paper	NA	NA	7-365 Days	50	Simple	CRISIL A1+
NA	Non-convertible debentures@	NA	NA	NA	60	Simple	CRISIL AA+/Stable
NA	Letter of credit & bank guarantee	NA	NA	NA	70	NA	CRISIL A1+
NA	Cash Credit\$	NA	NA	NA	65	NA	CRISIL AA+/Stable
NA	Cash Credit*	NA	NA	NA	30	NA	CRISIL AA+/Stable
NA	Cash Credit^	NA	NA	NA	250	NA	CRISIL AA+/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	372.8	NA	CRISIL AA+/Stable
NA	Cash credit#	NA	NA	NA	6	NA	CRISIL AA+/Stable
NA	Letter of Credit	NA	NA	NA	50	NA	CRISIL A1+
NA	Term Loan	NA	NA	Sep-25	263	NA	CRISIL AA+/Stable
NA	Cash Credit\$	NA	NA	NA	25	NA	CRISIL AA+/Stable
NA	Letter of credit & Bank Guarantee^	NA	NA	NA	120	NA	CRISIL AA+/Stable
NA	Fund-Based Facilities^	NA	NA	NA	100	NA	CRISIL AA+/Stable
NA	Fund-Based Facilities^	NA	NA	NA	100	NA	CRISIL AA+/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	27.7	NA	CRISIL AA+/Stable

* Interchangeable with other fund-based facilities

^ Interchangeable with non-fund-based facilities

Interchangeable with fund-based facilities

\$ Interchangeable with fund based & non-fund-based facilities

@ yet to be issued

Annexure - List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Economic Explosives Ltd	100%	Wholly owned subsidiary
Solar Defence Ltd	100%	Wholly owned subsidiary
Solar Defence Systems Ltd	100%	Wholly owned subsidiary
Emul Tek Pvt Ltd	100%	Wholly owned subsidiary
Solar Avionics Ltd	100%	Wholly owned subsidiary
Solar Overseas Mauritius Ltd	100%	Wholly owned subsidiary
Solar Mining Services Pty Limited, South Africa	86.74%	Step-down subsidiary
Nigachem Nigeria Limited	55%	Step-down subsidiary
Solar Overseas Netherlands B.V.	100%	Step-down subsidiary
Solar Explochem Zambia Limited	65%	Step-down subsidiary
Solar Patlayici Maddeler Sanayi Ve Ticaret Anonim Sirketi	100%	Step-down subsidiary
P.T. Solar Mining Services (Note - i)	100%	Step-down subsidiary
PATSAN Patlayici Maddeler Sanayi Ve Ticaret Anonim Sirketi (Note - ii)	53%	Step-down subsidiary
Solar Nitro Ghana Limited	90%	Step-down subsidiary
Solar Madencilik Hizmetleri A.S	100%	Step-down subsidiary
Solar Overseas Netherlands Cooperative U.A	99.99%	Step-down subsidiary
Solar Overseas Singapore Pte Ltd	100%	Step-down subsidiary
Solar Industries Africa Limited	100%	Step-down subsidiary
Solar Nitro Zimbabwe (Private) Limited	100%	Step-down subsidiary
Solar Nitro chemicals Limited (Note - i)	65%	Step-down subsidiary
Solar Mining Services Pty Ltd, Australia*	100%	Step-down subsidiary
Solar Mining Services Cote d'Ivoire Limited SARL (Note- i)	100%	Step-down subsidiary
Solar Venture Company Limited [^]	55%	Step-down subsidiary
Solar Mining Services Burkina Faso SARL (note-iii)	100%	Step-down subsidiary
Solar Mining Services Albania (note-iv),	100%	Step-down subsidiary

Note i: The entity has commenced its business operations

Note ii: The entity is under liquidation

Note iii: The entity is incorporated on April 06, 2021

Note iv: The entity is incorporated on April 22, 2021.

[^] Formerly known as Laghe Venture Company Limited

* Formerly known as Australian Explosives Technologies Group Pty Limited

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	866.7	CRISIL AA+/Stable	17-03-22	CRISIL AA+/Stable	05-03-21	CRISIL AA+/Stable	22-12-20	CRISIL AA+/Stable	24-12-19	CRISIL AA+/Stable	CRISIL AA/Positive
			--	28-02-22	CRISIL AA+/Stable	--	--	--	--	--	--	
Non-Fund Based Facilities	ST/LT	612.8	CRISIL AA+/Stable / CRISIL A1+	17-03-22	CRISIL AA+/Stable / CRISIL A1+	05-03-21	CRISIL AA+/Stable / CRISIL A1+	22-12-20	CRISIL AA+/Stable / CRISIL A1+	24-12-19	CRISIL AA+/Stable / CRISIL A1+	CRISIL AA/Positive
			--	28-02-22	CRISIL AA+/Stable / CRISIL A1+	--	--	--	--	--		
Commercial Paper	ST	50.0	CRISIL A1+	17-03-22	CRISIL A1+	05-03-21	CRISIL A1+	22-12-20	CRISIL A1+	24-12-19	CRISIL A1+	CRISIL A1+
			--	28-02-22	CRISIL A1+	--	--	--	--	--		
Non Convertible Debentures	LT	60.0	CRISIL AA+/Stable		--	--	--	--	--	--	--	

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit ^{\$}	25	ICICI Bank Limited	CRISIL AA+/Stable
Cash Credit [^]	250	Axis Bank Limited	CRISIL AA+/Stable
Cash Credit [*]	30	State Bank of India	CRISIL AA+/Stable
Cash Credit ^{\$}	65	HDFC Bank Limited	CRISIL AA+/Stable
Cash Credit [#]	6	IndusInd Bank Limited	CRISIL AA+/Stable
Fund-Based Facilities [^]	100	RBL Bank Limited	CRISIL AA+/Stable
Fund-Based Facilities [^]	100	Kotak Mahindra Bank Limited	CRISIL AA+/Stable
Letter of Credit	50	HDFC Bank Limited	CRISIL A1+

Letter of credit & Bank Guarantee	70	State Bank of India	CRISIL A1+
Letter of credit & Bank Guarantee	172.8	IndusInd Bank Limited	CRISIL AA+/Stable
Letter of credit & Bank Guarantee [^]	120	ICICI Bank Limited	CRISIL AA+/Stable
Letter of credit & Bank Guarantee	200	IndusInd Bank Limited	CRISIL AA+/Stable
Proposed Fund-Based Bank Limits	27.7	HDFC Bank Limited	CRISIL AA+/Stable
Term Loan	263	HDFC Bank Limited	CRISIL AA+/Stable

This Annexure has been updated on 06-Dec-22 in line with the lender-wise facility details as on 17-Mar-22 received from the rated entity.

* Interchangeable with other fund-based facilities

[^] Interchangeable with non-fund-based facilities

Interchangeable with fund-based facilities

\$ Interchangeable with fund based & non-fund-based facilities

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Chemical Industry](#)

[CRISILs Criteria for rating short term debt](#)

[CRISILs Criteria for Consolidation](#)

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