

Press Release

Vikram Solar Limited

June 16, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.2300.00 Cr.
Long Term Rating	ACUITE A/Stable (Assigned)
Short Term Rating	ACUITE A1 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE A**' (**read as ACUITE A**) and the short term rating of '**ACUITE A1**' (**read as ACUITE A one**) to the Rs.2300.00 Cr bank facilities of Vikram Solar Limited (VSL). The outlook is '**Stable**'.

The rating on VSL takes into account the strong market position of the company in both the domestic and the global solar energy solutions industry. The rating derives comfort from the healthy order book position buoyed by increasing demand for solar power. Further, it is also supported by the management's long track record in the sector and the recent capacity that will lead to a significant scale up of the business. These strengths are partly offset by the working capital intensity in VSL's operations and the stiff competition in the industry from Chinese players.

About the company

Incorporated in 2006, Vikram Solar Limited (VSL) is a Kolkata based company engaged in providing solar energy solutions, manufacturing and exporting PV modules and undertakes engineering, procurement, and construction (EPC) of solar power plants. Currently, the company is headed by Mr. Hari Krishna Chaudhary, Mr. Anil Chaudhary and Mr. Gyanesh Chaudhary along with a set of experienced professional individuals. VSL has its manufacturing facility located in Falta Special Economic Zone (FSEZ) in West Bengal with an installed capacity of 1.2 GW of solar PV module. It has recently set up another manufacturing plant in Chennai with 1 GW of capacity. In addition to this, the company operates and sells power from a 10-MW solar power plant, which has a long term power purchase agreement with the Tirupati temple.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of VSL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Established in 2006, the company has a long operational track record for more than fifteen years. The key promoters, Mr. Hari Krishna Chaudhary, Mr. Anil Chaudhary and Mr. Gyanesh Chaudhary have been engaged in solar business for a decade by virtue of their association with this company. This has helped the company in establishing relationships with suppliers and acquiring understanding of project bidding process thus ensuring uninterrupted supply of raw materials, inflow of work orders and maintains a robust order book. Acuité believes that the promoters' extensive understanding and expertise will support the company's growth plans going forward.

- **Strong business risk profile and healthy scale of operations**

The company is one of the market leaders in the domestic solar PV modules industry and has also been successfully increasing its presence in the export markets especially in the USA. Their technical competencies in the sector have enabled them to gradually inch up their market share in the domestic solar power industry. The recent capacity expansion would further augment their share in both the domestic and foreign markets. Their business risk profile gets further envisaged from their reputed clientele such as NTPC Ltd and other state discoms from whom they have secured repeat business over the years.

The company has achieved revenues of Rs. 1,550.31 Cr in FY2021 (Provisional) as compared to revenues of Rs. 1,538.18 Cr in FY2020. The operating margin rose to 11.77 per cent as on 31st March, 2021 (Provisional) from 8.79 per cent in FY2020. The PAT margin of the company increased to 2.27 per cent in FY2021 (Provisional) from 0.39 per cent in FY2020. This growth is primarily on account of significant improvement in EPC segment, which also requires supplying solar panels. The Return on Capital Employed (ROCE) of the company stood comfortable at 15.29 per cent as on FY2021 (Provisional). Acuité believes that the company's business risk profile would be sustained at strong levels and scale of operations would improve over the medium term backed by their domain expertise and capacity additions.

- **Robust order book position**

The company has a healthy unexecuted order book position of over Rs. 2100 Cr as on 31st March, 2021. These orders include both EPC contracts as well as supplying of PV modules in the domestic market as well as exports. The company has registered consistent EPC order inflows from NTPC Limited, other state distribution companies and large reputed customers, which further reduce counterparty risks. Acuité believes the company's strong execution capabilities backed by its expertise in design and engineering of grid connected or off-grid solar PV projects, has helped the company in generating continual orders over the years, which imparts significant revenue visibility over the medium term.

- **Capacity expansion coupled with favorable demand scenario**

Anticipating the growing demand in the domestic market and to gain a further foothold in the export territory, the company has completed a major capacity expansion by setting up a manufacturing unit in Chennai with an installed capacity of 1 GW at a total cost of Rs. 132 Cr. The plant became partially operational from April, 2021 and is expected to be fully operational from August, 2021. Acuité believes, going forward, the scale of operations of the company will grow multifold on account of the improved geographically diversity coupled with Government of India's thrust on developing solar capacity in India, as GOI envisions 100 GW of solar power capacity by 2022. Additionally, imposition of the Basic Customs duty (BCD) on solar modules to 40 per cent and solar cells to 25 per cent with effect from April 2022, in India and restrictions imposed on China in many countries will enable the company to mitigate the risks of competitions and enhance the scale of operations.

Weakness

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by healthy networth, moderate albeit improving gearing and moderate debt protection metrics. The tangible net worth of the company improved to Rs.411.23 Cr as on March 31, 2020 from Rs.399.07 Cr as on March 31, supported by moderately healthy profitability. Acuité has considered unsecured loans of Rs.49.41 Cr as on March 31, 2020, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company has improved to 1.14 as on March 31, 2020 as compared to 1.37 as on March 31, 2019. The debt of Rs.468.83 Cr mainly consists of long term debt of Rs.137.69 Cr, working capital borrowing of Rs.307.29 Cr and current maturity of term loan of Rs.23.85 Cr. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.80 times as on March 31, 2020 as against 2.60 times as on March 31, 2019. The debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 1.49 times as on March 31, 2020 and Debt Service Coverage Ratio (DSCR) at 1.04 times as on March 31, 2020. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.09 times as on March 31, 2020. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans in the medium term.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 240 days as on March 31, 2020 as against 174 days as on March 31, 2019. The high GCA days are on account of high debtor period which stood at 125 days as on March 31, 2020 as compared to 102 days as on 31st March 2019. The clients of EPC segment are the primary debtors of the company, NTPC Limited, West Bengal State Electricity Distribution Co. Ltd, West Bengal Power Development Co. Ltd., Indian Oil Corporation Limited, Hindustan Petroleum Co. Ltd., Rays Power Infra Private Limited, to name a few. The inventory holding level is comfortable at 59 days as on March 31, 2020 although it has risen to 42 days as on March 31, 2019. Going forward, Acuité believes that the operations would remain working capital intensive

mainly due to high debtor level.

Rating Sensitivity

- Consistent growth in revenues along with sustained operating margins
- Any further elongation in working capital cycle
- Reduction in order flow

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by the cash and bank balances of the company, which stood at Rs.29.50 Cr as on March 31, 2020 as compared to Rs.10.76 Cr as on March 31, 2019. The fund based limit remains utilised at 67 per cent over the nine months ended March 2021. The net cash accruals stood at Rs.42.76 Cr as on March 31, 2020 as against long term debt repayment of Rs. 36.98 Cr over the same period. The current ratio stood moderate at 1.14 times as on March 31, 2020. The company has availed loan moratorium and also applied for additional Covid loan of Rs. 41.40 Cr. The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 240 days as on March 31, 2020 similar as against 174 days as on March 31, 2019. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on VSL will be 'Stable' over the medium term on account of the experience of the promoters, long track record of its operations, strong business risk profile and healthy order book position. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its working capital management while increasing its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of any significant elongation in its working capital management leading to deterioration of its gearing and liquidity position.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1,538.18	1,947.65
PAT	Rs. Cr.	6.04	34.83
PAT Margin	(%)	0.39	1.79
Total Debt/Tangible Net Worth	Times	1.14	1.37
PBDIT/Interest	Times	1.49	1.87

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A/ Stable (Assigned)
Term Loan	28-02-2012	9.45%	30-09-2023	34.93	ACUITE A/ Stable (Assigned)
GECL	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A/ Stable (Assigned)
Term Loan	30-09-2019	13.00%	30-06-2021	0.80	ACUITE A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	48.00	ACUITE A/ Stable (Assigned)
Term Loan	30-09-2020	11.00%	30-06-2024	18.00	ACUITE A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A/ Stable (Assigned)
Term Loan	30-09-2020	9.00%	30-06-2024	59.50	ACUITE A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	110.00	ACUITE A/ Stable (Assigned)
GECL	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A/ Stable (Assigned)
Term Loan	30-09-2020	9.00%	30-06-2024	49.74	ACUITE A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	74.00	ACUITE A/ Stable (Assigned)
GECL	Not Applicable	Not Applicable	Not Applicable	7.40	ACUITE A/ Stable (Assigned)
Term Loan	30-09-2020	9.50%	30-06-2024	119.64	ACUITE A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A/ Stable (Assigned)
GECL	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A/ Stable (Assigned)
GECL	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A/ Stable (Assigned)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	120.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	170.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A1 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	105.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	340.00	ACUITE A1 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	73.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	277.00	ACUITE A1 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A1 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A1 (Assigned)
Proposed non-fund based	Not Applicable	Not Applicable	Not Applicable	23.99	ACUITE A1 (Assigned)

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About Acuité Ratings & Research

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