

Press Release

Vikram Solar Limited

February 16, 2023

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	666.21	ACUITE A- Negative Downgraded	-
Bank Loan Ratings	1633.79	-	ACUITE A2+ Downgraded
Total Outstanding Quantum (Rs. Cr)	2300.00	-	-

Rating Rationale

Acuite has downgraded the long term rating from **'ACUITE A' (read as ACUITE A)** to **'ACUITE A-' (read as ACUITE A minus)** and the short term rating from **'ACUITE A1' (read as ACUITE A one)** to **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs. 2300.00 Cr bank facilities of Vikram Solar Limited (VSL). The outlook remains **'Negative'**.

Rating Rationale

The downgrade in the rating, primarily considers the company's inability to launch the IPO within the stipulated timelines as specified by the management during our previous rationale dated September 13, 2023 and underachievement of the anticipated revenue till 9MFY2023. Nevertheless, Acuite also notes that the company has plans to raise Rs. 200-250 Cr within the current fiscal which would be a key rating sensitivity.

The outlook continues to be 'negative' majorly on account of their working capital intensity in operations which in turn impacted the liquidity position of the company. The expected increase in their scale of operations would entail higher working capital requirements which if not met through own sources may further deteriorate their capital structure.

The rating on VSL continues to consider the strong market position of the company in both the domestic and the global solar energy solutions industry. The rating also derives comfort from the robust 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.

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 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 and in Chennai with an installed capacity of 1.3 GW of solar PV module. 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.

Standalone (Unsupported) Rating

Not Applicable

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 established relationship with customers

Established in 2006, the company has been operational for more than fifteen years. The key promoters, Mr. Hari Krishna Chaudhary and Mr. Gyanesh Chaudhary have been engaged in solar business for more than five decades by virtue of their association with this company. Moreover, the extensive experiences of promoters have helped the company to maintain a robust order book. Acuité believes the company will continue to benefit from experienced promoters that will help to maintain long-term relations with customers and suppliers.

Healthy order book position

The company has an unexecuted order book position of around Rs. 11,500 Cr as on 30.11.2022. These orders primarily includes supplying of PV modules in the domestic market as well as exports. The company's order book position continues to remain strong as on date, which provides revenue visibility for the near to medium term. Moreover, the company has received a large order from a reputed player under variable price contract, with pre-decided EBITDA margins.

Acuité believes the company's strong execution capabilities backed by its expertise, has helped the company in generating healthy orders over the years. These orders were primarily secured from large reputed customers that reduce counterparty risks, and in turn, are expected to ensure timely realization of receivables.

Positive industry outlook

Government of India's thrust on developing solar capacity in India and increase in the Basic Customs duty (BCD) on solar modules to 40% and solar cells to 25% with effect from April 2022, will enable the company to boost sales and increase profitability margins going forward.

Further, in the export market USA government has imposed anti-dumping duty as high as 200% on the import of modules from China. The European Union has resolved to lower its dependency on imports of energy requirement from Russia due to ongoing Russia-Ukraine conflict. The European nations are looking for options beyond China to cater its energy needs and with no other alternative source the demand from Indian renewable energy is bound to happen.

Acuité believes that the Government's focus on this sector would help the company in maintaining their continuous receipt of orders and sustain the high growth momentum.

Significant improvement in performance till 9MFY2023

The company's performance has improved manifold in the current fiscal through execution of variable price contract, better supply chain arrangement and better negotiations on freight rates in the 9MFY2023, where it has achieved a turnover of Rs. 1753.43 Cr (prov). Further, EBITDA levels have improved significantly where the company has achieved a EBITDA of Rs 150 Cre in the 9MFY2023 i.e a operating margin of 8.50 per cent (prov).

The company is expected to report a sharp revenue growth in the current financial year given their till date performance coupled with their very high order book. Raw material price fluctuation risk would be largely mitigated due to induction of price escalation clause in their

EPC contracts.

Weaknesses

Moderate financial risk profile

The company's moderate financial risk profile is marked by healthy network, moderate gearing and weak debt protection metrics. The tangible net worth of the company declined to Rs.435.62Cr as on March 31, 2022 from Rs.494.71 Cr as on March 31, 2021 due to losses incurred in FY2022. Acuité has considered unsecured loans of Rs.84.87 Cr as on March 31, 2022, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company stood moderate as Debt-to-Equity ratio stood at 1.50 as on March 31, 2022 as compared to 1.17 as on March 31, 2021. The weak debt protection metrics of the company is marked by weak Interest Coverage Ratio (ICR) at 0.64 times as on March 31, 2022 and Debt Service Coverage Ratio (DSCR) at 0.57 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will improve backed by considerable improvement in their accruals and no major debt funded capex plans.

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 313 days as on March 31, 2022 as against 249 days as on March 31, 2021. The high GCA days are on account of high debtor period which stood at 193 days as on March 31, 2022 as compared to 147 days as on 31st March 2021. The clients of EPC segment are the primary debtors of the company, NTPC Limited, West Bengal State Electricity Distribution Co. Ltd (rated at ACUITE BBB/Stable/A3+), West Bengal Power Development Co. Ltd. (rated at ACUITE A-/Stable/A2+), Indian Oil Corporation Limited, Hindustan Petroleum Co. Ltd., Rays Power Infra Private Limited, to name a few. However, the inventory holding level is comfortable at 58 days as on March 31, 2022 as compared to 50 days as on March 31, 2021. Going forward, Acuité expects substantial improvement in their working capital management mainly due to the company's increased focus on manufacturing activities and reduced dependence on EPC contracts.

ESG Factors Relevant for Rating

The industry's exposure to environmental risks is lower than its social and governance risks. The primary material issues for the industry include efficient use of energy, putting environmental management structures in places, GHG emissions, development of green products and services and emitting air pollutant emissions. Since the industry has a large amount of e-waste generation in manufacturing process as well as end use, waste management is also a key material issue. Material efficiency is also important for the industry.

In social aspect, the quality of the product and the safety of the employees are important material issues. The community support and development initiatives taken by the companies in the industry are also a significant factor. Responsible procurement and supply chain transparency are crucial for evaluating the performance of the industry players.

On governance front, upholding fundamental business ethics is the most pertinent material issue in this industry. Factors such as management compensation, board independence, compensation and diversity are relevant to the industry. Audit committee functioning, financial audit and control, takeover defense mechanisms and shareholder rights are also important key issues.

Rating Sensitivities

- Growth in revenues along with improvement in profitability margins
- Any further elongation in working capital cycle

- Reduction in order flow

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by the cash and bank balances of the company, which stood at Rs.16.82 Cr as on March 31, 2022 as compared to Rs.3.07 Cr as on March 31, 2021. The fund-based limit remains utilised at 83 per cent over the thirteen months ended June 2022. However, the current ratio stood moderate at 1.04 times as on March 31, 2022. The working capital-intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 313 days as on March 31, 2022 as against 249 days as on March 31, 2021. Further, the company has incurred loss in FY2022 primarily due to dip in global industrial scenario. Acuite believes that going forward the company will improve its liquidity position due to steady accruals, on account of positive outlook of industry and healthy order book position.

Outlook: Negative

Acuite believes that the outlook of the company would remain 'Negative' on account of their working capital intensive nature of operations. The rating may be 'downgraded' in case the company fails to meet their revenue and profitability targets or is unable to improve their working capital management. The outlook may be revised to 'Stable' in case VSL registers significant growth in its revenue while improving the profitability levels and successfully raises funds to meet their incremental working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1709.00	1589.50
PAT	Rs. Cr.	(60.14)	37.14
PAT Margin	(%)	(3.52)	2.34
Total Debt/Tangible Net Worth	Times	1.50	1.17
PBDIT/Interest	Times	0.64	1.93

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Sep 2022	Bank Guarantee	Short Term	300.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE A Negative (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	31.23	ACUITE A Negative (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A Negative (Reaffirmed)
	Letter of Credit	Short Term	73.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Facility	Short Term	131.79	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A Negative (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Negative (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	48.00	ACUITE A Negative (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A Negative (Reaffirmed)
	Bank Guarantee	Short Term	170.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE A Negative (Reaffirmed)
	Cash Credit	Long Term	110.00	ACUITE A Negative (Reaffirmed)
	Letter of Credit	Short Term	120.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	74.00	ACUITE A Negative (Reaffirmed)
	Letter of Credit	Short Term	105.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	150.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Negative (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	24.05	ACUITE A Negative (Reaffirmed)
		Short		

	Bank Guarantee	Term	100.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	277.00	ACUITE A1 (Reaffirmed)
	Term Loan	Long Term	38.06	ACUITE A Negative (Reaffirmed)
	Term Loan	Long Term	7.40	ACUITE A Negative (Reaffirmed)
	Term Loan	Long Term	108.47	ACUITE A Negative (Reaffirmed)
16 Jun 2021	Bank Guarantee	Short Term	100.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	150.00	ACUITE A1 (Assigned)
	Working Capital Term Loan	Long Term	7.40	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	40.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	48.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)
	Proposed Bank Facility	Short Term	23.99	ACUITE A1 (Assigned)
	Working Capital Term Loan	Long Term	4.00	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	50.00	ACUITE A Stable (Assigned)
	Bank Guarantee	Short Term	170.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	277.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	119.64	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	50.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	110.00	ACUITE A Stable (Assigned)
	Working Capital Term Loan	Long Term	1.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	105.00	ACUITE A1 (Assigned)
	Working Capital Term Loan	Long Term	18.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	60.00	ACUITE A Stable (Assigned)
	Bank Guarantee	Short Term	340.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	34.93	ACUITE A Stable (Assigned)
	Bank Guarantee	Short Term	13.00	ACUITE A1 (Assigned)

Bank Guarantee	Short Term	20.00	ACUITE A1 (Assigned)
Letter of Credit	Short Term	73.00	ACUITE A1 (Assigned)
Term Loan	Long Term	0.80	ACUITE A Stable (Assigned)
Bank Guarantee	Short Term	5.00	ACUITE A1 (Assigned)
Term Loan	Long Term	18.00	ACUITE A Stable (Assigned)
Letter of Credit	Short Term	120.00	ACUITE A1 (Assigned)
Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)
Cash Credit	Long Term	25.00	ACUITE A Stable (Assigned)
Cash Credit	Long Term	74.00	ACUITE A Stable (Assigned)
Working Capital Term Loan	Long Term	11.00	ACUITE A Stable (Assigned)
Term Loan	Long Term	59.50	ACUITE A Stable (Assigned)
Term Loan	Long Term	49.74	ACUITE A Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	170.00	ACUITE A2+ Downgraded
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A2+ Downgraded
Indian Overseas Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A2+ Downgraded
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A2+ Downgraded
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	277.00	ACUITE A2+ Downgraded
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	150.00	ACUITE A2+ Downgraded
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+ Downgraded
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2+ Downgraded
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A- Negative Downgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	74.00	ACUITE A- Negative Downgraded
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A- Negative Downgraded
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A- Negative Downgraded
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- Negative Downgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- Negative Downgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE A- Negative Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	48.00	ACUITE A- Negative Downgraded
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Negative Downgraded

Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE A- Negative Downgraded
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	120.00	ACUITE A2+ Downgraded
Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+ Downgraded
Bandhan Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2+ Downgraded
IDBI Bank Ltd.	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A2+ Downgraded
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2+ Downgraded
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	73.00	ACUITE A2+ Downgraded
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	105.00	ACUITE A2+ Downgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	131.79	ACUITE A2+ Downgraded
Canara Bank	Not Applicable	Term Loan	30 Sep 2020	9.50	30 Jun 2024	Simple	108.47	ACUITE A- Negative Downgraded
Punjab National Bank	Not Applicable	Term Loan	30 Sep 2020	9	30 Jun 2024	Simple	38.06	ACUITE A- Negative Downgraded
Union Bank of India	Not Applicable	Term Loan	30 Sep 2020	9	30 Jun 2024	Simple	31.23	ACUITE A- Negative Downgraded
Indian Overseas Bank	Not Applicable	Term Loan	30 Sep 2020	11.0	30 Jun 2024	Simple	7.40	ACUITE A- Negative Downgraded
Indian Bank	Not Applicable	Term Loan	28 Feb 2012	9.45	30 Sep 2023	Simple	24.05	ACUITE A- Negative Downgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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