

Press Release

Icon Solar-En Power Technologies Private Limited

October 04, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs.31.69 Cr.
Long Term Rating	ACUITE BBB-/ Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.31.69 Cr bank facilities of Icon Solar-En Power Technologies Private Limited (ISPTPL). The outlook is '**Stable**'.

The rating on ISPTPL derives strength from the improved business risk profile of the company marked by experienced management, increased scale and profitability levels as evident from the company's performance in FY21 and further from the year-to-date (YTD) performance in the current financial year. The rating also takes cognizance of the favourable outlook of the domestic solar industry. These strengths are however, partly offset by the moderate financial risk profile, moderate working capital cycle amidst the intense competition in the sector.

About the company

Incorporated in 2014, Icon Solar-En Power Technologies Private Limited (ISPTPL) is based in Raipur, Chhattisgarh. The company manufactures Solar PV Modules and has an installed capacity of 125 MW. It is currently headed by Mr. Vipin Mirani, Mr. Shakti Kumar Dubey and Mr. Tarang Khurana. ISPTPL is one of the 26 companies to be enlisted on the Approved List of Models and Manufacturers (ALMM) of Ministry of New and Renewable Energy (MNRE) and is eligible to provide solar modules for government tenders.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management**

ISPTPL was promoted by Mr. Kanwaljeet Singh Khurana, Mr. Vipin Mirani and Mr. Shakti Kumar Dubey, who have long multifaceted business experience spanning around two decades. Mr. Tarang Khurana, is the second generation director and is assisted by a team of capable professionals. The top management has a strong understanding of local market dynamics and established healthy relationships with over 100 customers, which has resulted in a continuous order flow. ISPTPL's reputed clientele include Rotomag Motors and Controls Private Limited, Ingram Micro India Private Limited, Larsen & Toubro Limited only to name a few. Acuite believes the company will continue to benefit from the promoters' extensive experience and their growth plans, going forward.

- Improved business risk profile**

The company has achieved revenues of Rs.240.80 Cr in FY2021 (prov.) as compared to revenues of Rs.131.31 Cr in FY2020, thereby registering a y-o-y growth of 83.38 per cent in FY21. The growth in revenue is primarily on account of increase in its capacity utilization. The sales volume has increased by 77 per cent from FY20 to FY21. Further, the company has achieved revenues of around Rs.122 Cr till August, 2021 (Provisional). ISPTPL has an unexecuted order book position of 35.55MW to the tune of about Rs.66 Cr as on 31st Aug, 2021. The orders in hand will be executed in the next three months, imparting continuous revenue visibility.

The operating margin of the company stood at 5.83 per cent in FY2021 (prov.) and the PAT margin improved to 3.43 per cent in FY2021 (prov.) as against a net loss in the previous year. The margins improved due to economies of scale and improvement in average realization by 3.87 per cent in FY2021. The RoCE levels stood healthy at 28.15 per cent in FY2021 (prov.). Acuite believes that the Govt. based tenders will lead to further diversification in the business model and growth in the scale of the company.

- **Healthy capacity utilization coupled with favourable demand scenario**

The company has increased its capacity utilization from 59 per cent in FY20 to 89 per cent in FY21 and hence the growth in the scale of the company. Also, the company has started outsourcing 20-25 per cent of its production from the local manufacturers in the area. The company has received a new Government tender involving EPC installation of 3.14 lac solar agricultural pumps in mid Aug'21. Acuite believes, going forward, the company's business will be supported by the management's growth plans and 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 partially mitigate the risks of intense competition in the industry.

Weaknesses

- **Average financial risk profile**

The company's average financial risk profile is marked by modest networth, moderate gearing and comfortable debt protection metrics. The tangible net worth of the company improved to Rs.22.94 Cr as on March 31, 2021 (prov.) from Rs.13.67 Cr as on March 31, 2020 due to accretion of profits. Acuite has considered unsecured loans of Rs.6.71 Cr as part of networth as the management has undertaken to maintain the same in the business over the medium term. Gearing stood moderate at 1.15 times in FY21 (prov.) as against 1.78 times in FY20. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.24 times as on March 31, 2021 (prov.) as against 2.86 times as on March 31, 2020. The comfortable debt protection metrics of the company are marked by Interest Coverage Ratio (ICR) at 3.47 times and Debt Service Coverage Ratio (DSCR) at 2.86 times as on March 31, 2021 (prov.). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.39 times as on March 31, 2021 (prov.). Acuite believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

- **Moderate working capital cycle**

The moderate working capital cycle of the company is marked by Gross Current Assets (GCA) of 97 days as on March 31, 2021 (prov.) similar as against 113 days as on March 31, 2020. The moderate GCA days are on account of reduction in debtor period from 52 days in FY20 to 40 days in FY21 (prov.). The debtor period reduced as the company is now pushing its customers for 'cash and carry' form of payment. Their major customers are system integrators, or solar pumps/battery manufactures. Further, the inventory holding level is comfortable at 31 days as on March 31, 2021 (prov.) as compared to 38 days as on March 31, 2020. Major procurement being order backed, the company does not need to hold significant amount of inventory. Going forward, Acuite believes that the working capital cycle will remain moderately intensive as the company will now be executing tender based EPC contracts also and hence will remain a key rating sensitivity.

Rating Sensitivity

- Growth in scale of operations while sustaining operating profitability
- Elongation in working capital cycle
- Improvement in the capital structure

Material Covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.10.15 Cr in FY2021 (prov.) as against long term debt repayment of only Rs.0.88 Cr over the same period. The current ratio stood comfortable at 1.42 times and the cash and bank balances of the company stood at Rs.2.05 Cr in FY2021 (prov.). However, the fund based limit remained utilized at 90 per cent over the eight months ended August, 2021. The company availed a Covid loan of Rs.4.90 Cr and also a loan moratorium till August 2020. Acuite believes that going forward the liquidity position of the company will improve due to steady cash accruals

Outlook: Stable

Acuite believes the company's outlook will remain stable over the medium term on account of its experienced management, improved business risk profile and favourable outlook of the industry. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while sustaining its operating margins or improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of higher than expected stretch in the working capital cycle or deterioration in the financial risk profile of the company.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	240.80	131.31
PAT	Rs. Cr.	8.26	(4.30)
PAT Margin	(%)	3.43	(3.27)
Total Debt/Tangible Net Worth	Times	1.15	1.78
PBDIT/Interest	Times	3.47	0.36

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

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB-/Stable (Assigned)
State Bank of India	Covid Loan-WCDL	Not Applicable	Not Applicable	Not Applicable	1.40	ACUITE BBB-/Stable (Assigned)
State Bank of India	GECL-WCTL	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB-/Stable (Assigned)
State Bank of India	SLC	Not Applicable	Not Applicable	Not Applicable	2.10	ACUITE A3 (Assigned)
State Bank of India	Term Loan	1-May-2015	10.55%	30-Sept-2021	1.00	ACUITE BBB-/Stable (Assigned)
State Bank of India	Term Loan	1-Mar-2018	10.55%	31-Mar-2023	2.50	ACUITE BBB-/Stable (Assigned)
State Bank of India	Term Loan	1-Sept-2016	10.95%	31-Aug-2023	1.50	ACUITE BBB-/Stable (Assigned)
Not Applicable	Proposed Long Term Bank facility	Not Applicable	Not Applicable	Not Applicable	0.69	ACUITE BBB-/Stable (Assigned)
State Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Assigned)

*The interchangeability from CC limit to LC limit is upto 50% of CC limit.

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About Acuité Ratings & Research:

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