



Press Release
Icon Solar-En Power Technologies Private Limited
February 21, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	26.69	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	5.00	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	46.69	-	-

Rating Rationale

Acuite has **upgraded** the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**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**'.

Also, Acuite has **assigned** the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.15.00 Cr bank facilities of Icon Solar-En Power Technologies Private Limited (ISPTPL). The outlook is '**Stable**'.

Rationale for rating

The rating takes into cognizance the improving business and financial risk profile of the company driven by increase in revenues, profitability margins, improving working capital cycle and interest coverage and debt service coverage ratios. It considers the steady scale of operations of the company along with enhancing product portfolio. The revenues of the company stood at Rs.486.97 crores in FY23, a growth of 55% since past year revenues of 314.29 crores in FY22. Along with increase in revenues, the operating margins of the company has also improved to 2.82 per cent in FY23 from 2.50% in FY22. Acuite also notes the improvement in profitability margins, PAT margins increasing to 1.32 percent in FY23 from 0.82 percent in FY22. The rating also factors in the further improvement in the financial risk profile marked by a growing adjusted net worth due to steady accruals, stable adjusted gearing of 0.73 times as on March 31, 2023, and moderate levels of debt protection metrics. The adequate liquidity position is reflected in the steady accruals which is sufficient to meet its debt repayments, moderate current ratio and absence of debt funded capex plans over the medium term. The bank lines have also been moderately utilised with fund-based bank limits at ~87.68 per cent for the 6-month period months ended Dec'23.

The rating also factors in the improving Gross Current Asset (GCA) days from 119 days in FY22 to 61 days in FY23 thus reflecting the improving efficiency in the core operations of the organisation. Further, the shift in sourcing of raw materials from foreign manufacturers to domestic manufacturers shows improved stability in raw materials procurement and improving inventory days.

However, these strengths are partly offset by the volatility in raw material prices.

Icon Solar-En Power Technologies Private Limited (ISPTPL), incorporated in 2014, is based in Raipur, Chhattisgarh. With an installed capacity of 125 MW (200 MW added since December 2023), the company manufactures and distributes Solar PV modules ranging in power from 40 to 660 watts along with providing comprehensive Roof Top solar solutions for homes. The company even undertakes engineering, procurement, and construction (EPC) of solar modules. The company's products are Approved List of Models and Manufacturers (ALMM) accredited and listed which gives them an edge in procuring government orders and tenders, the present year approval for enlistment under ALMM is awaited. It is currently headed by Mr. Shakti Kumar Dubey, Mr. Vipin Mirani and Mr. Tarang Khurana.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long operational track record of the company and an experienced team**

The company has a long operational track record of around 10 years. Further, the leadership team are from diverse backgrounds and have extensive experience of the industry. As a result, the Company has been able to establish healthy relationship with customers and suppliers. The company has increased its capacity to 325 MW in FY2024 for expanding its business as the management expects the demand for this business to grow further. Acuité believes that the long operational track record and extensive experience of the management shall support the business risk profile of the management to an extent.

- **Steady business risk profile marked by healthy order book position**

The operating income of the company stood at Rs.486.97 Cr. in FY2023 as against Rs.314.29 Cr in FY2022, which is a growth of 55% on a year-to-year basis. Although a marginal increase, the company been able to improve its sales realization for Solar P/V modules during current year which is expected to reflect in revenues. The company has achieved a revenue of around Rs.341 Cr till 31st December 2023 (Provisional). Furthermore, the company has reduced its order execution period from 4-5 months earlier to 2-3 months currently. ISPTPL has an unexecuted fixed order book position to the tune of Rs.72.37 Cr. as on 31st December 2023 corresponding to a cumulative 30.93 MW and receives open ended orders from its customers on a regular basis.

The operating margin of the Company has improved to 2.82% in FY2023 from 2.50% in FY2022. This has been a result of improved sourcing of raw materials from domestic market and lower gestation period of orders. Also, the operating margins as on 31st December 2023 stood at 5.51% (Provisional).

Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

- **Healthy financial risk profile**

The Company's financial risk profile is marked by a healthy adjusted net worth, improvement in adjusted gearing and comfortable debt protection metrics. The tangible adjusted net worth of the company improved to Rs.31.23 Cr in FY23 from Rs. 26.83 Cr in FY2022, a growth of 32.96%, due to accretion to reserves. Acuité has treated unsecured loans of Rs. 5.05 Cr as quasi equity since these are subordinated to bank loans. The company's Debt-Equity ratio

remained stable at 0.73 times in FY23 as compared to a ratio of 0.71 times in FY22. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) has also improved to 2.03 times as on 31st March 2023 as against 3.17 times as on 31st March 2022. The company has small capex plans moving forward and aims to reduce gearing ratios to further lower levels and thus stabilising its capital structure.

ISPTPL's Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) has also improved to 3.37 times in FY23 from 2.45 times in FY 22 and to 1.86 times in FY23 to 1.26 times in FY22 respectively. Acuite believes that in the foreseeable future, the financial risk profile of the company will improve backed by improving profitability, reduced gearing and comfortable debt protection metrics

Weaknesses

- **Profits margins susceptible to volatility in raw material prices**

The profitability indicators remain exposed to the volatility in price movements of key raw materials (RM) like solar cells, glass, back sheet and aluminium, among others. Moreover, given the lack of backward integration and limited capacities in India, the company remains exposed to pricing and availability risks. The company's margins are also impacted by the volatility in commodity price hikes such as glass and metals. The margins have improved as the company has entered into short term fixed price contracts for purchase of raw materials on receipt of sales order thereby even safeguarding itself to some extent from raw material price volatility.

- **Competition from other manufacturers**

While the competition from imports is mitigated through policy measures like ALMM and imposition of Basic Custom Duty (BCD), the company remains exposed to competition from other domestic manufacturers, especially with the announcement of large expansion plans by existing players and entry of large new players. Also, the growing demands of renewable sources of energy has resulted in the entry of more players into this sector.

Rating Sensitivities

- Growth in scale of operations while sustaining operating profitability.
- Elongation in working capital cycle

Liquidity Position Adequate

The company's liquidity is adequate marked by net cash accruals of Rs. 7.57 Cr. in FY2023 as against long term debt repayment of Rs.2.15 Cr. over the same period. The current ratio is moderate at 1.39 times as on March 31, 2023. The promoters also have the financial flexibility to bring in funds in the business as reflected in unsecured loans that have been brought in historically. The company has Rs.5.05 cr. of unsecured loan subordinated against bank loans . The fund-based bank limit remained moderately utilised at 87.68 per cent and the non-fund based facility remained utilised at 24.48 per cent for the last nine months ended December 2023. Acuite believes that the liquidity position of the company is likely to remain adequate backed by the steady accruals, absence of debt funded capex plans and moderate current ratio over the medium term.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	486.97	314.29
PAT	Rs. Cr.	6.41	2.51
PAT Margin	(%)	1.32	0.80
Total Debt/Tangible Net Worth	Times	0.73	0.71
PBDIT/Interest	Times	3.37	2.45

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

Not Applicable

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
23 Dec 2022	Covid emergency line	Long Term	3.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	16.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.10	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Covid emergency line	Long Term	2.09	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
04 Oct 2021	Cash Credit	Long Term	14.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.69	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Standby Line of Credit	Short Term	2.10	ACUITE A3 (Assigned)
	Working Capital Term Loan	Long Term	3.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	1.40	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	05 Jul 2029	Simple	2.09	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	05 Jul 2029	Simple	0.96	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3+ Upgraded (from ACUITE A3)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.12	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Term Loan	13 Jan 2023	Not avl. / Not appl.	05 Jul 2029	Simple	1.52	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
State Bank of India	Not avl. / Not appl.	Term Loan	13 Jan 2023	Not avl. / Not appl.	05 Jul 2029	Simple	15.00	ACUITE BBB Stable Assigned

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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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