



Press Release

Sova Solar Limited

May 30, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Bank Facilities	17.00	IVR BBB+/ Positive/ IVR A2 (IVR Triple B Plus with Positive Outlook/ IVR A Two)	Reaffirmed	Simple
Long Term/ Short Term Bank Facilities	9.00	IVR BBB+/ Positive/ IVR A2 (IVR Triple B Plus with Positive Outlook/ IVR A Two)	Assigned	Simple
Short Term Bank Facilities	108.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
Short Term Bank Facilities	72.00	IVR A2 (IVR A Two)	Assigned	Simple
Total	206.00 (Rupees Two Hundred and Six Crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Sova Solar Limited (SSL) continue to derive strength from its experienced promoter with longstanding presence in the industry, stable business performance in FY23 and in FY24 along with healthy order book position of ~Rs.1070 crore as on March 14, 2024, providing near term revenue visibility. The ratings also positively note SSL's satisfactory capital structure and comfortable debt protection metrics. The ratings also take into account the positive demand outlook for domestic solar module manufacturers in view of government thrust on renewables with favourable policies. However, these rating strengths remain constrained by its exposure to volatility in solar cell prices, exposure to intense competition and technological risks. The outlook continues to remain positive on the back of expected improvement in its business performance underpinned by its healthy orderbook and proven order execution capabilities of the company.

Key Rating Sensitivities:

Upward factors



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- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis and consequent improvement in liquidity.
- Improvement in the capital structure.

Downward Factors

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis.
- Any unplanned capex and /or deterioration in overall gearing to over 1.5x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoter with longstanding presence in the industry**
SSL is established by Mr. Subrata Mukherjee who has more than a decade of experience in solar power industry. His long presence and extensive experience in the manufacturing of solar module has helped the company in building strong supplier and customer network.
- **Stable business performance**
The total operating income (TOI) of the company is estimated to witness a moderation to ~Rs.329 crore (~Rs.400 crore in FY23). During FY24, the company sold solar modules totalling 165 MW as compared to 153.39 MW in FY23, however, lower average sales realisation per MW impacted the TOI. Notwithstanding the dip in revenue the company has estimated to achieve higher profitability in FY24 on the back of higher sales volume coupled with lower input cost. Consequently, gross cash accrual of the company is also estimated to improve in FY24. The EBITDA margin is estimated to hover around 16% in FY24.
- **Satisfactory financial risk profile marked by moderate capital structure and comfortable debt protection metrics**
The capital structure of SSL has remained satisfactory over the past three account closing dates. Total debt profile of the company has minimal term loans and mainly comprises working capital borrowings. However, the overall gearing ratio though estimated to be moderated as on March 31,2024 (1.37x as on March 31,2023) due to increase in working capital borrowings continues to remain moderate. Moreover, the total indebtedness of the company marked by TOL/TNW is also estimated to remain



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satisfactory (2.38x as on March 31, 2023). The debt protection metrics of the company is estimated to improve in FY24 driven by estimated improvement in profitability and net cash accruals.

- **Adequate order book position provides revenue visibility**

SSL's order book position stood at ~Rs.1069.75 crore as on March 14, 2024 for supply of solar modules, which provides near-term revenue visibility. Moreover, the company has a reputed customer base such as Exide Industries Limited, Kirloskar Solar Technologies Pvt. Ltd., Livguard Batteries Pvt. Ltd., etc.

- **Positive demand outlook for domestic module manufacturers**

The demand outlook for the domestic solar module manufacturers remains favourable over the medium term. The government thrust on renewables with favourable policies in the form of basic customs duty (BCD) and production linked incentive (PLI) scheme will improve the cost competitiveness of domestic manufacturers against the imports to a large extent.

Key Rating Weaknesses

- **Exposure to volatility in solar cell prices**

In order to manufacture solar PV modules, the company require multiple raw materials and components, primarily solar PV cells. The price of solar PV cells is based on the price of wafers, the price of which can be volatile and unpredictable. Hence, the company's profitability remain exposed to volatility and linkage between price movement of solar cells and modules. Further, substantial part of raw materials, including solar cells, are imported from China and certain other countries, including Taiwan and Malaysia. Any restrictions, either from the central or state/provincial governments or from any other authorized bilateral or multilateral organizations, including any export duties by the exporting country, on such imports may adversely affect the profitability.

- **Exposure to intense competition**

The market for solar PV modules is intensely competitive and continuously evolving with presence of traditional global and local solar manufacturing companies. Moreover, the government thrust towards domestic solar module manufacturing are attracting new players and existing players to expand their capacities and thereby leading to increase competition within the domestic manufacturing set-up.



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- **Exposure to technological risk**

Considering technological obsolescence risk, solar module manufacturers are required to undertake continuous upgrades and related investments to sustain the competitive advantage.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate marked by sufficient cushion in its cash accruals vis-à-vis its minimal repayment obligations. Moreover, the average fund based working capital utilization remained satisfactory at ~63% during the past 12 months ended March 31, 2024, indicating sufficient liquidity buffer.

About the Company

Incorporated in 1996, Kolkata based Sova Solar Limited (SSL) is engaged in the manufacturing of Solar Photo Voltaic Module. The company is founded by Mr. Subrata Mukherjee. SSL is an ISO certified company with its manufacturing facilities located at Durgapur, West Bengal under the export promotion industrial park with annual installed capacity of production ~600MW. The products manufactured by SSL include Poly crystalline, Mono- crystalline PERC & Mono- crystalline PERC with half cut cells.

Financials (Standalone):

	(Rs. crore)	
For the year ended / As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	201.52	400.58
EBITDA	10.63	32.56
PAT	12.45	17.63
Total Debt	37.68	75.43
Tangible Net worth	37.54	55.17
EBITDA Margin (%)	5.28	8.13
PAT Margin (%)	6.15	4.40



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For the year ended / As on*	31-03-2022	31-03-2023
	Audited	Audited
Overall Gearing Ratio (x)	1.00	1.37
Interest Coverage Ratio (x)	4.79	6.91

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Crisil Ratings has maintained the rating of Sova Solar Limited in the Issuer Non-Cooperating category on account of inadequate information and lack of management cooperation in the rating procedure despite repeated follow ups as per the Press Release/publication dated May 8, 2024.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Aug 9, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Aug 26, 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit*	LT/ST	26.00	IVR BBB+/Positive/ IVR A2	IVR BBB+/Positive/ IVR A2	IVR BBB+/Stable/ IVR A2	-
2.	Letter of Credit	ST	155.00	IVR A2	IVR A2	IVR A2	-
3.	Bank Guarantee	ST	25.00	IVR A2	IVR A2	IVR A2	-

*One way interchangeability from CC limit to LC limit

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	26.00	IVR BBB+/ Positive/ IVR A2
Letter of Credit	-	-	-	155.00	IVR A2
Bank Guarantee	-	-	-	25.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SovaSolar-may24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at

<https://www.infomerics.com/rating-criteria-detail/complexity-level-of-ratedinstrumentsfacilities>

