



## Press Release

### Sova Solar Limited

August 9, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term/ Short Term Bank Facilities	17.00	IVR BBB+/Positive/IVR A2 (IVR Triple B Plus with Positive Outlook/ IVR A Two)	Reaffirmed with revision in Outlook from Stable to Positive	Simple
Short Term Bank Facilities	108.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
<b>Total</b>	<b>125.00</b> <b>(One hundred twenty five crore)</b>			

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, healthy improvement in SSL's operating performance in FY23 along with order book position of ~Rs.224 crore as on June 15, 2023. The ratings also positively note SSL's satisfactory capital structure and comfortable debt protection metrics. The ratings also take into account reputed customer base and positive demand outlook for domestic solar module manufacturers in view of government thrust on renewables with favourable policies in the form of change in basic customs duty (BCD) and production linked incentive (PLI) scheme. However, these rating strengths remain constrained by its exposure to volatility in solar cell prices, intense competition and technological risks. The outlook has been revised from stable to positive due to expected improvement in company's performance driven by sustained increase in its scale of operations.

#### Key Rating Sensitivities

##### Upward Factors:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis



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- Sustenance of the capital structure and improvement in debt protection metrics

### **Downward Factors:**

- Moderation in operating income and/or moderation in 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.

- **Healthy improvement in operating performance in FY23**

The total operating income (TOI) has increased at a CAGR of ~85% over FY21-FY23. During FY22, demand witnessed significant recovery with fading impact of Covid-19 pandemic resulting revenue growth of ~79% on a y-o-y basis to Rs.201.52 crore. TOI improved further and nearly doubled to Rs. 400.58 crore in FY23 driven by an increase in demand. In FY23, the company sold solar modules totaling 153.39 MW as compared to 101.98 MW in FY22. With an increase in sales and moderation in raw material prices, EBITDA Margin improved from 5.28% in FY22 to 8.13% in FY23. However, PAT Margin has moderated from 6.15% in FY22 to 4.40% in FY23 due to higher depreciation and finance cost. Gross cash accruals increased from Rs. 7.65 crore in FY22 to Rs. 22.93 crore in FY23.

- **Satisfactory 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 mainly comprises working capital loan. The overall gearing though moderated from 1.00x as on March 31, 2022 to 1.37x as on March 31, 2023 due to increase in working capital borrowings but remained satisfactory. The total indebtedness of the company indicated by its TOL/TNW also remained moderate at 2.38x as on March 31, 2023. The debt protection metrics of the company remained healthy over the



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past three fiscals. The interest coverage ratio improved from 4.79x in FY22 to 6.91x in FY23. Total Debt/GCA also remained comfortable at 3.29 years as on March 31, 2023 against 4.93 years as on March 2022.

- **Adequate order book position provides revenue visibility; reputed customer base**

SSL's order book position stood at ~Rs.224 crore as on June 15, 2023 for supply of solar modules, which provides near-term revenue visibility. Moreover, the company has a reputed customer base such as BHEL, Kirloskar Solar Technologies Ltd, Exide Industries Limited 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 Weakness:**

- **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 remains volatile. Hence, the company's profitability remains 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. Moreover, growth is exposed to changes in government policies.

- **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.

- **Technological risk**

The company remains exposed to technological obsolescence risk. The solar module manufacturers are required to undertake continuous upgrades and related investments to sustain the competitive advantage. SSL is expected to incur capex of ~Rs. 27 crore over



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FY24-FY26 towards capacity enhancement and upgradation. This capex is expected to be funded by way of internal accruals.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

**Liquidity Position: Adequate**

The liquidity position of the company is expected to remain adequate marked by sufficient cushion in accruals vis-à-vis its minimal repayment obligations. Moreover, the average fund based working capital utilization remained low at ~40% during the past 12 months ended March 31, 2023, 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
	<b>Audited</b>	<b>Audited</b>
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
Overall Gearing Ratio (x)	1.00	1.37

*\*Classification as per Infomerics' standards.*



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**Status of non-cooperation with previous CRA:** Crisil Ratings has migrated the rating of Sova Solar Limited into 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 March 27, 2023.

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit*	Long Term/Short Term	17.00	IVR BBB+/Positive/IVR A2	IVR BBB+/Stable/IVR A2 (Aug 26, 2022)	-	-
2.	Letter of Credit	Short Term	103.00	IVR A2	IVR A2 (Aug 26, 2022)	-	-
3.	Bank Guarantee	Short Term	5.00	IVR A2	IVR A2 (Aug 26, 2022)	-	-

\*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





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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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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 / Outlook
Cash Credit*	-	-	-	17.00	IVR BBB+/Positive/IVR A2
Letter of Credit	-	-	-	103.00	IVR A2
Bank Guarantee	-	-	-	5.00	IVR A2
<b>Total</b>				<b>125.00</b>	

\*One way interchangeability from CC limit to LC limit

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-ssl-aug23.pdf>



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

**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 [www.infomerics.com](http://www.infomerics.com).

