



## Press Release

### Sova Solar Limited

**February 27, 2025**

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term/ Short Term Bank Instruments	26.00	IVR BBB+/ Positive/ IVR A2 (IVR Triple B Plus with Positive Outlook/ IVR A Two)	IVR BBB+/ Positive/ IVR A2 (IVR Triple B Plus with Positive Outlook/ IVR A Two)	Rating Reaffirmed	Simple
Short Term Bank Instruments	180.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Rating Reaffirmed	Simple
<b>Total</b>	<b>206.00 (INR Two Hundred and Six Crore only)</b>				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### 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 with improvement in profitability of the company along with improved financial risk profile marked by healthy debt protection metrics and positive demand outlook for domestic solar module manufacturers in view of government thrust on renewables with favourable policies. The ratings also consider adequate order book position of the company providing near to medium term revenue visibility. However, these rating strengths remain constrained by its modest scale of operation with 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

- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis and consequent improvement in liquidity



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- 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 company sold solar modules totaling 165.71 MW in FY24 [FY refers to the period from April 1 to March 31] as compared to 153.39 MW in FY23, however, lower average sales realization per MW impacted revenue. Total operating income (TOI) continues to remain modest and moderated to Rs. 329.05 crore in FY24 as compared to Rs. 400.58 crore in FY23. Notwithstanding the dip in revenue, the company reported significant improvement in EBITDA margin from 8.13% in FY23 to 15.33% in FY24 on the back of lower input cost. Consequently, PAT and gross cash accruals of the company have also improved in FY24. In 7MFY25, the company has achieved revenue of ~Rs. 240 crore.

- **Improvement in financial risk profile marked by improvement in capital structure coupled with improvement in debt protection metrics**

The capital structure of SSL has improved in FY24 marked by improvement in its leverage ratios. The debt profile of the company mainly comprises working capital loan. The overall gearing improved from 1.37x as on March 31, 2023 to 0.34x as on March 31, 2024 underpinned by reduction in working capital borrowings. Further, the total indebtedness of the company indicated by TOL/ATNW also remained comfortable at 0.87x as on March 31, 2024. The debt protection metrics of the company also improved in FY24 and remained healthy. The interest coverage ratio improved from 6.91x in FY23 to 8.92x in FY24. Total Debt/NCA and Total debt /EBITDA also improved to 0.79 years and 0.59x respectively as on March 31, 2024 against 3.29 years and 2.32x respectively as on March 31, 2023.



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

SSL's order book position stood at ~Rs.1514.32 crore as on November 30, 2024 for supply of solar modules. These orders are to be executed over the next 12-18 months, thus provides a healthy near to medium term revenue visibility. Moreover, the company has a reputed customer base such as SJVN, BHEL, Kirloskar Solar Technologies 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.

- **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:**



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[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. Further, the company has a strong gearing headroom marked by its comfortable capital structure. Moreover, the average fund based working capital utilization remained satisfactory at ~59% during the past 12 months ended September 30, 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 ~1.1GW. The products manufactured by SSL include Poly crystalline, Mono-crystalline PERC & Mono- crystalline PERC with half cut cells.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	400.58	329.05
EBITDA	32.56	50.45
PAT	17.63	32.50
Total Debt	75.43	29.82
Tangible Net Worth	55.17	87.67
EBITDA Margin (%)	8.13	15.33
PAT Margin (%)	4.40	9.80
Overall Gearing Ratio (x)	1.37	0.34
Interest Coverage (x)	6.91	8.92

\* Classification as per Infomerics' standards.

### **Status of non-cooperation with previous CRA:**



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Crisil Ratings has maintained the rating of Sova Solar Limited in the Issuer Non-Cooperating category as the issuer had remained non cooperative despite consistent 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 Security/Facilities	Current Ratings (2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					May 30, 2024	Aug 9, 2023	Aug 26, 2022	-
1.	Cash Credit*	LT/ ST	26.00	IVR BBB+/ Positive/ IVR A2	IVR BBB+/ Positive/ IVR A2	IVR BBB+/ Positive/ IVR A2	IVR BBB+/ Stable/ IVR A2	-
2.	Letter of Credit	LT	155.00	IVR A2	IVR A2	IVR A2	IVR A2	-
3.	Bank Guarantee	LT	25.00	IVR A2	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 Limited [previously Infomerics Valuation and Rating Private Limited] (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).

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.

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	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

*\*One way interchangeability from CC limit to LC limit*

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-sovasolar-feb25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: 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).