Vikram Solar Private Limited

Instrument	Amount (In Rs. Crore)	Rating Action
Cash Credit	310	[ICRA] A- (Stable) assigned
Non Fund Based Facilities	940	[ICRA]A2+ assigned

ICRA has assigned a long term rating of [ICRA]A- (pronounced ICRA A minus) [1] to Rs 310.00 crore[2] cash credit facilities of Vikram Solar Private Limited (VSPL). The outlook on the long term rating is Stable. ICRA has also assigned a short term rating of [ICRA]A2+ (pronounced ICRA A two plus) to Rs 940 crore non-fund based facilities of VSPL.

The ratings have favourably factored in VSPL's established market position in the Indian solar PV industry having commissioned a number of projects of varying complexity in the last seven years of its operations. ICRA while assigning the ratings has taken into consideration the company's strong execution capabilities backed by its expertise in design and engineering of grid connected/off-grid solar PV projects, which in turn has helped it in generating healthy order additions over the years. The company had an outstanding order book position of Rs 2500 crore as on 31st March 2016, which were over 2.5 times its sales in FY2016. Moreover, such orders being secured from large reputed customers reduces counterparty risks, and is expected to ensure timely realization of receivables. The ratings further reflect the entity's high capacity utilization level resulting in healthy return on capital employed (RoCE), and the fiscal benefits that the company is entitled to being located in an SEZ. Going forward, ICRA expects VSPL to benefit from the favourable demand outlook for solar photo voltaic modules and EPC contracts in the country, driven by the Government's target of setting up 100 gigawatts (GW) of solar power generation capacity by 2022 as against ~8 GW as on 30th June 2016. However, ICRA takes cognizance of the increasing competitive intensity in the market, particularly from upcoming module manufacturing capacities, which are expected to be cost competitive.

The ratings are constrained by VSPL's high working capital intensity in business, which is a result of its large receivables and long inventory holding days. ICRA notes that in order to mitigate any raw material availability related risk, VSPL maintains a large inventory of solar PV cells against the firm fixed price module orders in its hands. Although in such an arrangement the risk of loss on inventory due to sudden fall in raw material prices is low, the high inventory levels locks up working capital, thus impacting liquidity of the company. The ratings factor in the large outstanding debts of the company, which results in an aggressive capital structure and moderate levels of debt coverage indicators compared to the rating category. ICRA notes that VSPL provides warranty of upto 25 years on the performance of its solar modules. The ratings are tempered by the risk of future devolvement of such warranties, which can lead to large cash outflows, thereby impacting the financial profile of the company. However, risks arising out of the same are mitigated to an extent by comprehensive acceptance tests undertaken by the company on its solar modules. Going forward, VSPL's ability to execute and complete its current orders in a timely manner while maintaining adequate liquidity would remain a key rating sensitivity.

Company Profile

Vikram Solar Private Limited (VSPL), promoted by the Kolkata based Vikram group, is a solar photo voltaic (PV) module manufacturing company. The company started commercial operations in September 2009 and as on date has 350 MW of solar PV module capacity in its plant located at the Falta Special Economic Zone (FSEZ) in West Bengal. In addition, VSPL is engaged in undertaking Engineering, Procurement, and Construction (EPC) of solar power plants and also operates a 10 MW solar power plant through its 100% subsidiary.

Recent Results

VSPL registered a profit after tax of Rs 54.98 crore on the back of an operating income of Rs 903.65 crore in 2015-16. In 2014-15, the company registered a profit after tax of Rs 35.13 crore on the back of an operating income of Rs 619.41 crore.

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[1] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

[2] 100 lakh = 1 crore = 10 million

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