

November 28, 2024

Fimer India Private Limited: [ICRA]BBB(Stable)/[ICRA]A3+ assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Short term – Fund based-working capital facility	75.0	[ICRA]A3+; assigned
Short term –Non Fund Based Working Capital	10.50	[ICRA]A3+; assigned
Long Term/Short term –Non Fund Based Working Capital	25.0	[ICRA]BBB(Stable)/[ICRA]A3+; assigned
Long Term/Short Term-Fund Based/Non Fund Based- Working Capital facility	73.50	[ICRA]BBB(Stable)/[ICRA]A3+; assigned
Short term – Unallocated	16.00	[ICRA]A3+; assigned
Total	200.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to the bank lines of Fimer India Private Limited (FIPL/the company) factor in the established track record and market leadership position of the company in the domestic solar inverter market. FIPL continues to be among the top three suppliers of central inverters in India over the last three years. The operations under FIPL were acquired by FIMER SpA, Italy, from ABB India Limited in CY2020 with the associated technical knowhow. The operations were in existence since CY2011 and, thus, the company's operations have a track record of more than a decade in the domestic market. The ratings also factor in the positive demand outlook for solar inverters in the country as sizeable solar power additions are planned over the course of the next few years. ICRA expects India to add around 20 GW of solar capacity in FY2025 and more than double the solar power installed capacity by 2030. As a result, the demand for solar inverters is expected to remain strong. Moreover, replacement requirements for the inverters will support the demand for solar inverters in the country.

FIPL is also expected to witness a healthy growth in the export of inverters as the global focus on meeting sustainability targets is supporting solar power additions. The ratings also factor in the company's healthy order book position and the steady order inflows, which have resulted in strong revenue growth in 8M CY2024. The company is expected to nearly double its revenue in CY2024 over CY2023 on the back of the strong order inflows. FIPL is also expected to benefit from the local content requirements in solar inverters, as mandated by the Ministry of New and Renewable Energy (MNRE), as it has higher local content vis-à-vis other manufacturers. The strong revenue growth in the upcoming year is expected to improve the company's profitability.

The ratings, however, remain constrained by the intensely competitive inverter market which is dominated by Chinese manufacturers who have significant local presence in India. FIPL's profitability has stayed subdued owing to the competitive cost structure of the Chinese players. The ratings are also constrained by the working capital-intensive operations as the company has to maintain large inventories to service the warranties provided on various models of inverters. Additionally, the company provides extended credit period to the group entities when it sells inverters through them, primarily in the export markets (in excess of 120 days). The overall credit profile has, thus, remained modest because of the working capital-intensive operations and muted profitability.

The company uses letter of credit (LC) to procure raw material along with the open credit provided by a few suppliers. The company uses bill discounting and export packing credit to fund its working capital requirements as well. The company's total outside liabilities/tangible net worth (TOL/TNW) remained elevated at 3.84x as on December 31, 2023 (3.90x as on December 31, 2022). Going forward as well, given the modest profitability and high creditor funding, the company's TOL/TNW is expected

to remain elevated. The interest coverage ratio was also modest at 1.93x in CY2023 and 1.86x in 8M CY2024. The operating profit is expected to improve with the growing scale of operations, which should help improve the interest coverage ratio.

The ratings are also constrained by the weak credit profile of the parent, FIMER SpA, Italy, which is currently undergoing a transfer of ownership under extraordinary administration in Italy. FIPL has certain outstanding payables and receivables towards the parent and other group entities. As per the arrangement, FIPL has a net payable position towards the parent post netting off the receivables and payables which is under the process. As mentioned by the management, no cash outflow is expected on account of the net payable position and the same will remain a key monitorable, going forward. Any unexpected cash outflow towards the parent from the company can severely impact the latter's liquidity position. Additionally, any payment to the group entities, apart from the parent, will be made only once the receivables from the group entities have been received.

Key rating drivers and their description

Credit strengths

Leading player in domestic solar inverter market with an established track record – FIPL is one of the leading players in the domestic solar inverter market with the company maintaining a market share of around 27% in the central utility inverter segment. The company has been able to maintain its position as one of the top three suppliers of solar inverters in India for the last several years owing to its strong technical capabilities.

Healthy demand outlook for products amid strong focus on solar power capacity addition in India and other major markets - ICRA expects India to add around 20 GW of solar capacity in FY2025 and more than double the solar power installed capacity by 2030. As a result, the demand for the company's products remains favourable in the domestic market. Additionally, the company exports inverters. The outlook for solar inverter offtake in the export markets remains healthy, given the global focus on driving solar capacity addition and the reduced competition from Chinese players in a few geographies.

Healthy order book position and growing scale of operations to aid profitability improvement - The company had a healthy order book position of ~Rs. 461 crore as on September 30, 2024, which will support a robust growth in the scale of operations in CY2024. The execution cycle for the order book remains around 6-8 months for the company. The profitability is also expected to rise in CY2024, given the sizeable growth in the scale of operations.

Credit challenges

Intensely competitive market for solar inverters dominated by Chinese players to keep margins muted - The domestic solar inverter market remains highly competitive with Chinese players dominating the supply of inverters to India's solar power ecosystem. The Chinese players have retained the top 2 position in the market share for the last several years and their competitive pricing have kept the margins muted for FIPL. Going forward, the MNRE guidelines on local content requirement for the procurement of solar inverters is expected to result in increased order inflow for FIPL as it has more than 50% local content in the inverters manufactured at its facility, thereby making it a Class-I supplier.

Working capital intensive operations; sizeable exposure towards group companies – The company's operations remain working capital intensive with significant inventories to be maintained for the servicing of the inverters supplied in the past. Additionally, FIPL offers 120-180 days' credit period to the group entities for the supply of export orders, and has a similar payment cycle for procurement from group entities. Thus, a large part of the receivables is in the form of retention money. Most of the company's sales are backed by letters of credit (~90 days period) which it discounts to fund the working capital requirements. The company had outstanding receivables and payables from the group companies of Rs. 139.1 crore and Rs.

151.0 crore, respectively, as of August 2024-end and had a net payable position of Rs. 67.7 crore as of August 2024 towards the parent i.e. FIMER SpA Italy.

Weak credit profile of parent i.e. FIMER SpA – At present, the promoters of FIMER SpA, Italy (FIPL’s parent), are in the process of selling their stake to investors as the company’s credit profile has remained weak and the parent is under creditor protection under the Italian laws. Going forward, ICRA will continue to monitor the process of sale of the parent and its impact, if any, on the company.

Modest capital structure – The company’s credit profile remains modest, given the subdued profitability and working capital intensive operations. The company uses bill discounting and export packing credit to fund its working capital requirements as well. The company’s total outside liabilities/tangible net worth (TOL/TNW) remained elevated at 3.84x as on December 31, 2023 (3.90x as on December 31, 2022). Going forward as well, the company’s TOL/TNW is expected to remain elevated due to the modest profitability and high creditor funding. The interest coverage ratio also remained modest at 1.93x in CY2023 and 1.86x in 8M CY2024. Going forward, the interest coverage ratio is expected to improve with an expected growth in the scale of operations, although the TOL/TNW will stay elevated.

Liquidity position: Adequate

FIPL’s liquidity position is expected to remain adequate, supported by Rs. 34.0 crore of free cash as of August 2024-end, which should be sufficient to fund the incremental capex and working capital requirements partially. A healthy growth in internal cash generation in CY2024 is also expected to support the liquidity position. The company majorly uses the bill discounting facility to fund its working capital requirements as it discounts the receivables through the TREDIS platform. The company also has access to fund-based limits which are currently largely unutilised.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a material improvement in the company’s scale and profitability, resulting in a healthy improvement in its leverage and coverage indicators. The company’s ability to maintain interest coverage ratio above 3.5 times on a sustained basis may result in an upgrade.

Negative factors – The ratings may be downgraded if there is an unexpected cash outflow to the parent, having an adverse impact on the liquidity profile. A sustained moderation in the company’s revenue and profits, and/or a materially large debt-funded capex, weakening the leverage and coverage indicators, may result in a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

FIPL (earlier named Marici Solar India Private Limited) was incorporated in December 2019 to acquire the solar inverter business of ABB India on a going-concern basis by way of a slump sale for Rs. 100.6 crore on behalf of its parent Fimer S.p.A. Italy (Fimer). The acquisition of the assets was part of a global sale of the solar inverter business to FIMER SpA Italy. FIPL is engaged in the manufacturing and assembly of central inverters as well as the trading of string inverters and has a factory at

Peenya in Bengaluru. The solar factory started operations at Peenya with an installed capacity of 5 gigawatt (GW). It has marketing offices in eight cities in India. Apart from selling solar inverters in India, the company is engaged in the export of inverters to various other geographies and has sales and service offices in several countries of FIMER group entities. The product offering includes string inverters (traded from FIMER SpA Italy) and central inverters in the range of 1 kilowatt (KW) to 5 megawatt (MW) manufactured in India.

Key financial indicators (audited)

	CY2022	CY2023	8M CY2024*
Operating income	391.39	504.80	549.38
PAT	6.85	12.82	11.10
OPBDIT/OI	2.6%	3.2%	4.2%
PAT/OI	1.7%	2.5%	2.0%
Total outside liabilities/Tangible net worth (times)	3.90	3.84	4.18
Total debt/OPBDIT (times)	6.13	4.14	2.53
Interest coverage (times)	5.44	1.93	1.86

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	FY2025		FY2024		FY2023		FY2022	
		Amount Rated (Rs Crore)	Nov 28, 2024	Date	Rating	Date	Rating	Date	Rating
Short term – Fund based-working capital facility	Short term	75.0	[ICRA]A3+	-	-	-	-	-	-
Short term –Non-Fund Based Working Capital	Short term	10.50	[ICRA]A3+	-	-	-	-	-	-
Long Term/Short term – Non-Fund Based Working Capital	Long Term/Short term	25.0	[ICRA]BBB (Stable)/[ICRA]A3+	-	-	-	-	-	-
Long Term/Short Term-Fund Based/Non-Fund Based-Working Capital facility	Long Term/Short term	73.50	[ICRA]BBB (Stable)/[ICRA]A3+						
Short term – Unallocated	Short term	16.00	[ICRA]A3+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short term – Fund based-working capital facility	Simple
Short term –Non Fund Based Working Capital	Very Simple
Long Term/Short term –Non Fund Based Working Capital	Very Simple
Long Term/Short Term-Fund Based/Non Fund Based- Working Capital facility	Simple

Short term – Unallocated

Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Short term – Fund based-working capital facility	NA	NA	NA	75.0	[ICRA]A3+
NA	Short term –Non Fund Based Working Capital	NA	NA	NA	10.50	[ICRA]A3+
NA	Long Term/Short term –Non Fund Based Working Capital	NA	NA	NA	25.0	[ICRA]BBB(Stable)/ [ICRA]A3+
NA	Long Term/Short Term-Fund Based/Non Fund Based- Working Capital facility	NA	NA	NA	73.50	[ICRA]BBB(Stable)/ [ICRA]A3+
NA	Short term – Unallocated	NA	NA	NA	16.00	[ICRA]A3+

Source: Company

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Annexure II: List of entities considered for consolidated analysis: Not Applicable

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