Fimer India Private Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	75.00 (Enhanced from 25.00)	CARE BBB; Stable / CARE A3	LT rating reaffirmed and ST rating assigned
Short Term Bank Facilities	10.50	CARE A3	Assigned
Short Term Bank Facilities	114.50 (Enhanced from 75.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Fimer India Private Limited (FIPL) continues to factor in the significant market share of the company in the highly competitive central solar inverter market. Scale of operations of the company has grown by 30% approximately during CY23 (Calendar year; refers to the period January 1 to December 31) and is likely to more than double during CY24 aided by its growing order book.

CARE Ratings Limited (CARE Ratings) notes that there are sizeable solar power additions planned over medium term, which augurs well for FIPL's prospects. FIPL also enjoys an edge over its competitors in terms of local content requirement. This is also evident from the increase in order book during the past year. Nevertheless, the company's ability to tap the potential market and generate the envisaged revenues and profitability on sustained basis remains to be seen and will be a key rating monitorable.

These rating strengths are partially offset by the high leverage of the company and moderate coverage indicators. With high growth anticipated, company's capital structure marked by TOL/TNW is expected to further deteriorate due to increase in working capital borrowings and creditors. CARE Ratings also takes note of receivables and payables position of the company against the parent and the other group companies which is also resulting in a higher leverage and working capital cycle. FIPL's management is in process of netting off receivables and payables against the holding company and that other group payables will be paid once it receives the receivables. On net basis, FIPL would have net payable position and the management has articulated there will not be cash outflow pertaining to the same. CARE Ratings also takes cognizance of ongoing process regarding stake sale by promoters of holding company, Fimer Italy SPA. CARE Ratings will monitor the development in this regard and any unforeseen impact on the company's liquidity may weigh negatively on its credit profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable improvement in the scale of operations above ₹1000 crore, return on capital employed (ROCE) above 15%, and total outside liabilities (TOL)/tangible net worth (TNW) below 2.5x, along with a resolution of netting off group receivables and payables.

Negative factors

- Decline in scale of operations below Rs. 500 Cr. or ROCE below 6%
- Increase in TOL/TNW (adjusted for group payables for more than one year) above 4.5x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that FIPL's business and financial risk profile will remain stable, aided by its strong and established market position in the central inverter business.

Detailed description of key rating drivers:

Key strengths

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Significant market share in a highly competitive central solar inverter market
FIPL is a leading solar central inverter manufacturer in India and has further strengthened its marked position. With expectation of increasing demand of solar inverters on back of sizeable solar power plant additions in near to medium term as well as higher local content in its products, FIPL is likely to maintain its dominant market share.

Improvement in scale of operations and profitability margins
The scale of operations of the firm has grown by 31% to Rs. 498.64 Cr in CY23 from Rs. 380.43 Cr in CY22. For CY24, management expects to more than double its CY23 turnover based on its strong order book position along with the Government of India's (GoI) emphasis on more local content qualification. PBILDT margin improved in CY23 to 4.32% as against 2.01% in CY22. This comes on the back of stronger exports in CY23, which have higher margins than the domestic market and optimization of non-core expenses. End of life servicing and AMC, which are high margin services are gradually being realised for the products sold in earlier years. It is bound to rise and drive-up profitability with the rising scale of operations.

Satisfactory order book position
The company has satisfactory order backlog Rs. 646.56 Cr out of which the company expects to execute most of these and some new orders by the end of CY24. With improved quality, marketing and acceptance of its inverters in the market the company was able to secure most of the orders from the third parties there by reducing dependency on the group companies for its orders.

Key weaknesses

High leverage with and moderate coverage indicators
The company in its capital structure do not have any term debt and has reliance on working capital limits in form of bill discounting, letter of credit and bank guarantee limits. TOL/TNW of the company continues to remain high at 3.92x as on December 31,2023 as against 4.00x as on December 31,2022 primarily due to certain accounts receivable and payable from holdco / group companies which were inherited during acquisition of solar inverter business of ABB India. Adjusted for group payable for more than one year, TOL/TNW was __x as on December 31, 2203. CARE Ratings estimates that TOL/TNW (adjusted for group payables for more than one year) would deteriorate further on account of increase in borrowings and creditors in line with scale of operations. At the same time, interest coverage also moderated for the company from 4.26x in CY22 to 2.62x in CY23 and was 2.25x for H1CY24. Company's ability to improve these financial parameters would be key to its prospects.

Working capital-intensive nature of operations with significant receivables and payables towards the group companies
Business model of the company requires it to maintain significant service inventory till the entirety of the warranty period. Further in relation to the receivables are majorly from the group concerns and in form of retention money. The company sales are mostly backed by the Letter of Credit favoured towards the company with an usance period of 90 days which will be immediately discounted with the bank or majorly in form of 100% advance towards the order. The company do not provide any credit period towards its third-party sales. Further the company's 3rd party purchases of which around 60-70% are backed by letter of credit and rest are in form of open credit from its suppliers. However, the sales or purchases through group channel requires the company to give a credit period 120-180 days with similar payable cycle across the inter group transactions.

As of June 30, 2024, FIPL had accounts receivable and payable of Rs. 149.13 Cr and Rs. 156.73 Cr respectively from and towards all group companies. It has a net payables position of Rs. 61.91 Cr as of June 2024 towards Fimer SpA, Italy. The company is in process of setting off these group receivables and payables. The timely resolution of the remainder is a key monitorable.

Liquidity: Adequate
Liquidity of the is marked by moderate accruals against nil term debt repayment obligations and has free cash and bank balances of Rs. 5.19 Cr as on June 30, 2024. Due to the company's operations being highly working capital-intensive, there is a significant reliance on non-fund based working capital limits to maintain and execute existing orders, as well as to bid for new ones. The firm has also availed in FB CC limits since September 2023.

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

FIPL was incorporated in December 2019 to acquire the solar inverter business of ABB India on a going concern basis by way of slump sale for Rs 100 Cr on behalf of its parent Fimer SpA, Italy. It is a wholly owned subsidiary of Fimer SpA, Italy. With the said acquisition, entire manpower, orderbook etc. also moved from ABB India to FIPL. It is into assembly and sale of Central Solar Inverters in India and has a unit located in Peenya Industrial area, Bengaluru with a total installed capacity of 7.5 GW. It offers a wide portfolio of solar inverters ranging from single and three-phase string inverters up to megawatt-sized central inverters, to meet the needs of any PV application – residential, commercial & industrial as well as utility scale.

Brief Financials (₹ crore)	December 31, 2022 (A)	December 31, 2023 (A)	June 30, 2024 (UA)
Total operating income	391.39	510.62	406.64
PBILDT	7.88	22.06	18.09
PAT	6.85	12.82	7.32
Overall gearing (times)	0.60	0.58	NA
Interest coverage (times)	4.26	2.62	2.25

A: Audited UA: Unaudited; NA: Not available Note: these are latest available financial results

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	-	75.00	CARE BBB; Stable / CARE A3
Non-fund-based - ST-BG/LC	-	-	-	-	98.50	CARE A3
Non-fund-based - ST-Loan Equivalent Risk	-	-	-	-	10.50	CARE A3
Non-fund-based - ST-Proposed non fund based limits	-	-	-	-	16.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	75.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable (31-Aug-23)	-	-
2	Non-fund-based - ST-BG/LC	ST	98.50	CARE A3	-	1)CARE A3 (31-Aug-23)	-	-
3	Non-fund-based - ST-Proposed non fund based limits	ST	16.00	CARE A3	-	1)CARE A3 (31-Aug-23)	-	-
4	Non-fund-based - ST-Loan Equivalent Risk	ST	10.50	CARE A3				

ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Non-fund-based - ST-Loan Equivalent Risk	Simple
4	Non-fund-based - ST-Proposed non fund based limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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