

HVR Solar Private Limited

September 07, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term bank facilities	3.64	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Short term bank facilities	4.86	CARE A4 (A Four)	Assigned
Total Facilities	8.50 (Rupees Eight crore and Fifty lakh only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of HVR Solar Private Limited (HVR) are constrained by small scale of operations, leveraged capital structure, weak total debt to GCA, elongated operating cycle, and competition from large number of unorganized players. The ratings are, however, derives strength from experienced promoters, moderate profitability margins, moderate order book position and diversified and large customer base.

Key Rating Sensitivity**Positive Factor:**

Increase in scale of operations with total operating income of more than Rs.50.00 crore on a sustainable basis

Improvement in capital structure marked by overall gearing ratio below 2.00x

Improvement in debt coverage indicators as marked by total debt to GCA ratio below 7.00% and interest coverage ratio above 2.00% respectively

Negative Factor:

Decline in scale of operations by more than 20%, on sustained basis.

Decline in profitability margins as marked by PBILDT and PAT margins below 5.00% and 1.00% respectively

Detailed description of the key rating drivers**Key Rating Weaknesses****Small scale of operations**

The company's scale of operations has remained small marked by total operating income (TOI) of Rs. Rs.20.47 crore in FY20 (refers to the period April 01 to March 31). The total operating income of HVR, however, increased at a compounded annual growth rate (CAGR) of 44.90% in FY18-20 period mainly on account of increased sales volume due to higher demand received from existing customers as well as new customers added during the period. The same however, continued to remain small. The small scale of operations limits the company's financial flexibility in times of stress and deprives it from scale benefits. Furthermore, the company reported total operating income of Rs.11.26 crore in 4MFY21 (Provisional).

Leveraged capital structure and weak total debt to GCA

The capital structure of the company stood leveraged marked by overall gearing ratio of 3.00x as on March 31, 2020 on account of company's high reliance on external borrowings to fund working requirements of business. The same, however, improved on a year-on-year basis owing to accretion of profits to networth and subordination of unsecured loans.

Further, the total debt to GCA ratio stood weak at 10.75x for FY20 and the same improved from 12.67x for FY19 due to lower total debt outstanding and higher gross cash accruals of the company. The interest coverage ratio stood moderate at 1.80x in FY20 and the same however, deteriorated from 2.14x in FY19 on account of higher interest expenses incurred.

Stiff competition from large number of unorganized players

Low entry barriers in the solar business have resulted in large number of organized and unorganized players entering the industry which has led to increased competition. Further, with increasing growth opportunities for solar energy sector due to government support/incentives, more players are entering the industry thereby increasing competition.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Strengths

Experienced promoters

The overall operations of the company are looked after by Mr. Rishabh Aggarwal, Mr. Harsh Aggarwal, Mr. Akash Bansal and Mrs. Veena Aggarwal as its directors. Mr. Rishabh Aggarwal has industry experience of nearly 6 years which he has gained through his association with HVR and other regional entities. Furthermore, he is supported by other directors Mr Harsh Agarwal (has 30 years of experience and looks after finance function), Mr Akash Bansal (B.Tech by qualification and has extensive technical experience of 5 years), Ms Veena Aggarwal (has 10 years of experience in HR) as well as a team of professionals. The directors have adequate acumen about various aspects of business which is likely to benefit HVR in the long run.

Moderate profitability margins

The profitability margins of the company remained at a moderate level marked by PBILDT margin of 10.67% in FY20 (Prov.) and PAT margin of 2.04% in FY20 (Prov.). The PBILDT margin improved from 8.45% in FY19 on account of procurement of raw materials at better prices. Consequently, the PAT margin improved from 1.78% in FY19 owing to better PBILDT margins.

Moderate order book position

In Q1FY21 (Prov.), the company has already achieved income of ~Rs.8 crore. Further, the company has orders in hand of 3.77 MW of solar PV modules with aggregate value of Rs.7.37 crore as on June 30, 2020. The order book is expected to be executed by October 2020.

Diversified and large customer base

HVR has a diversified and large customer base. The company's major customers are spread out in New Delhi, UP, Haryana, Punjab, Haryana, Uttarakhand and Telangana states.

Stretched Liquidity position

The company's liquidity position remained moderate as reflected by current ratio of 1.41x and quick ratio of 0.76x as on March 31, 2020. The operating cycle of the company remained elongated at 134 days as on March 31, 2020. The average utilization of working capital limits stood at 90% for the last 12 months period ended July, 2020. Further, the company has availed moratorium period (from March 2020 to May 2020) from its bank in light of COVID-19, as per the extant Reserve Bank of India (RBI) guidelines.

Analytical Approach—Standalone

Applicable criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

[Liquidity analysis of Non-financial sector entities](#)

[CARE's policy on default recognition](#)

[Criteria for Short Term Instruments](#)

About the company

HVR Solar Private Limited (HVR) was incorporated as a private limited company in February, 2016 and is currently being managed by Mr. Rishabh Aggarwal, Mr. Harsh Aggarwal, Mr. Akash Bansal and Mrs. Veena Aggarwal as its directors. The company is engaged in the manufacturing of solar photo-voltaic (PV) modules at its manufacturing facility located at Sonapat, Haryana with an installed capacity of manufacturing 20 MW of solar PV module per annum as on March 31, 2020. The company's products find application in wide range of solar systems including on-grid projects, off grid roof-top projects, street lighting systems, solar charging stations, home lighting, solar lanterns etc. Apart from module manufacturing, the company also has inhouse capabilities for project layout and design, project execution, installation and maintenance work in solar sector. The company is ISO 9001:2008 and IEC (International Electro technical Commission) certified.

Covenants of rated instrument / facility: Not Applicable

Brief Financials (Rs. crore)	FY19 (A)	FY20 (Prov.)
Total operating income	17.88	20.47
PBILDT	1.51	2.18
PAT	0.32	0.42
Overall gearing (times)	5.36	3.00
Interest coverage (times)	2.14	1.80

A: Audited, Prov.- Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	2.60	CARE BB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	2.35	CARE A4
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	2.51	CARE A4
Non-fund-based - LT-Bank Guarantees	-	-	-	0.44	CARE BB-; Stable
Fund-based - LT-Working capital Term Loan	-	-	August 2024	0.60	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	2.60	CARE BB-; Stable	-	-	-	-
2.	Non-fund-based - ST-Letter of credit	ST	2.35	CARE A4	-	-	-	-
3.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	2.51	CARE A4	-	-	-	-
4.	Non-fund-based - LT-Bank Guarantees	LT	0.44	CARE BB-; Stable	-	-	-	-
5.	Fund-based - LT-Working capital Term Loan	LT	0.60	CARE BB-; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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