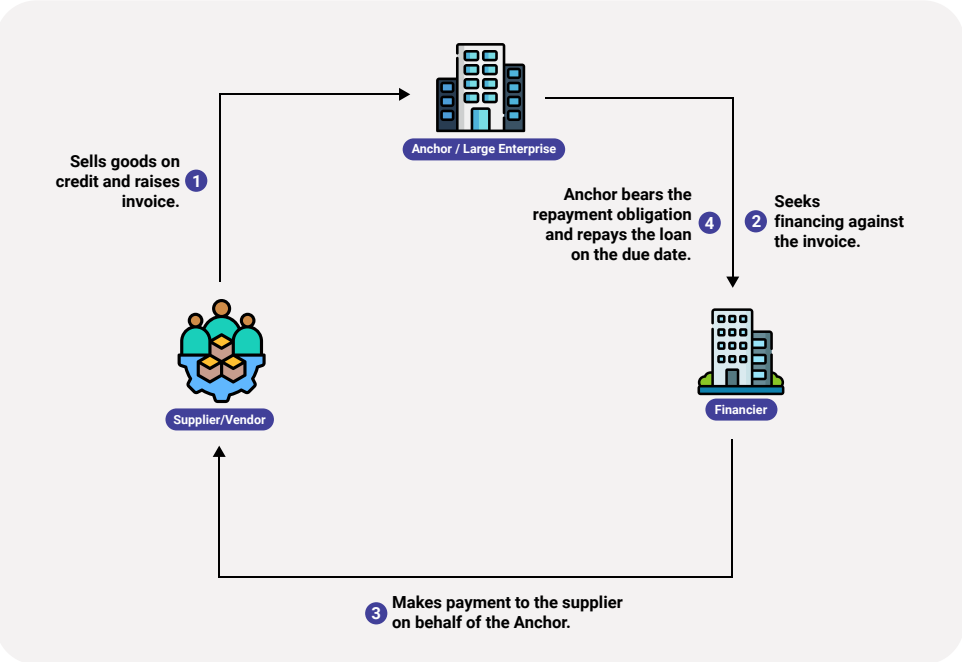


Understanding Supply Chain Finance A Case Study #6



Introduction

This case study explores an Anchor Purchase Bill Discounting (Anchor PDB) solution, where the vendor/supplier raises invoices on anchor, ideally a large, creditworthy corporation (which we are referring to as ABC Pvt Ltd.) for the goods/services supplied. In this vendor financing arrangement, anchor seeks financial assistance from the financier against its invoices to pay their outstanding dues to the suppliers and manage their working capital and payables efficiently. The loan repayment obligation (principal and interest) lies with the anchor.



This is an on-balance sheet financing where the lender is listed on the balance sheet of the Anchor. Typically, loan ticket size for Anchor PDB ranges between INR 5 Cr to INR 50 Cr and in this case, the limit sanctioned by Vivriti to the ABC Pvt Ltd. is at the lower end of the band.

This case study outlines the key findings from our due diligence on ABC Pvt Ltd. and presents the basis for our recommendation.

Company Background

ABC Pvt Ltd. operates as an Engineering, Procurement, and Construction (EPC) player in the solar industry, specialising in rooftop solar projects for commercial and industrial players.

Based out of a Tier-1 metro, the promoters of the company, with decades of experience in the oil & gas industry, acquired a company of similar business nearly a decade ago and rebranded it as ABC Pvt Ltd. Currently, it is one of the top EPC contractors in rooftop solar industry. Beside rooftop, the company also undertakes ground-mounted solar projects and has completed more than 200 projects till date.

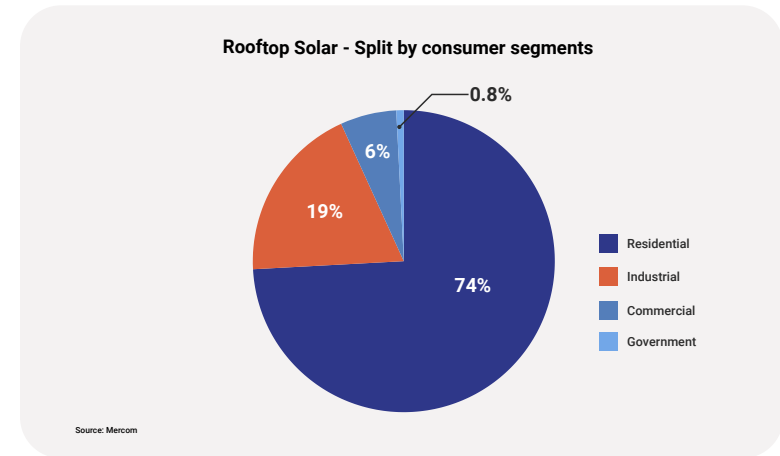


ABC Pvt Ltd. has a presence in pan India and undertakes two kinds of projects:

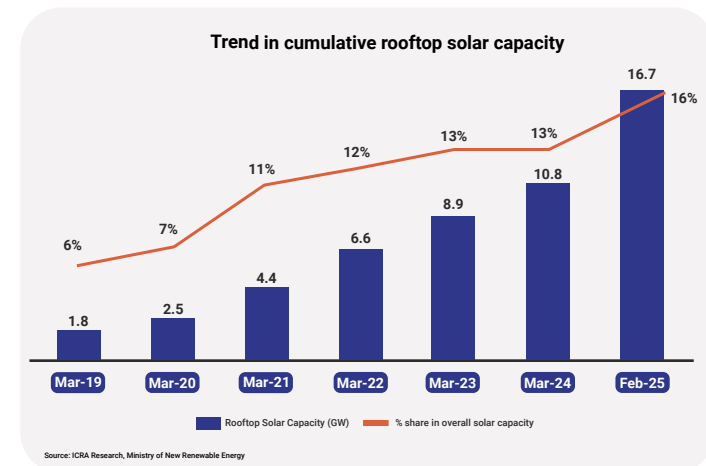
- (i) EPC with module - Here, the company buys and installs solar panels as a part of the project.
- (ii) EPC without module - Here, a third party provides the panels, and the company focuses on other aspects of the project.

Industry Outlook

- The Solar EPC market is a critical segment of the renewable energy sector. It’s a model that delivers end to end solutions integrating engineering, procurement, and construction services for solar power projects.
- The solar EPC services comprise of two segments based on scale and installation type - Rooftop solar and Utility-scale solar.
- The Rooftop solar model has four consumer segments - residential, industrial, commercial and government. Residential segment accounted for 74% of total installation in 2024 due to widespread implementation of the PM Surya Ghar initiative. Notably, ~7 lakh rooftop solar panels were installed within 10 months of launch of the initiative.



- India installed 24.5 GW of solar capacity in CY24, which is a two-fold increase from the previous year. Of this, 18.5 GW came from utility-scale solar segment, which increased 2x YoY, while the rooftop solar segment added 4.6 GW of new capacity, an increase of 53% from CY23. As of February 2025, the cumulative solar capacity installation stood at 102.57 GW, where the rooftop solar capacity was 16.7 GW.



- The growth in rooftop solar capacity is driven by government initiatives such as PM Surya Ghar Muft Bijlee Yojana, Production Linked Incentive (PLI) Scheme and Pradhan Mantri Suryodaya Yojana favouring renewable energy along with financial assistance such as tax rebates, grants and subsidies.
- Challenges faced by rooftop solar market operators:
 - (i) Inconsistent rules and regulations governing how excess electricity generated by solar panels is brought back to the grid.
 - (ii) Access to government subsidies and timely disbursements of funds.
 - (iii) Procuring land for solar power infrastructure and grid integration.

Addressing these challenges is crucial to sustain and accelerate the growth of the solar rooftop market. The Centre aims to achieve 100 GW of rooftop capacity as part of its broader target of achieving 500 GW of non-fossil fuel-based energy capacity by 2030.

Credit Profile

Internal Rating: The company's internal rating has been revised from BB to BB+ highlighting the improvement in company's ability to meet its financial requirements and support ongoing operations.

Debt Funding: The company has a lender base of more than two tier-1 private sector banks and one private sector bank.

Equity Funding: The company has successfully raised equity from HNIs in FY25 and is planning to raise another round of equity through initial public offering in the near term.

Key Credit Committee Recommendations

Our recommendation to onboard ABC Pvt Ltd. for Anchor PBD is based on several positive factors:

Proficient Management: The Promoter of the company has a cross-country experience of over three decades in leadership roles across diverse sectors. Both the promoter and the management team have strong technical capabilities with relevant industry experience.

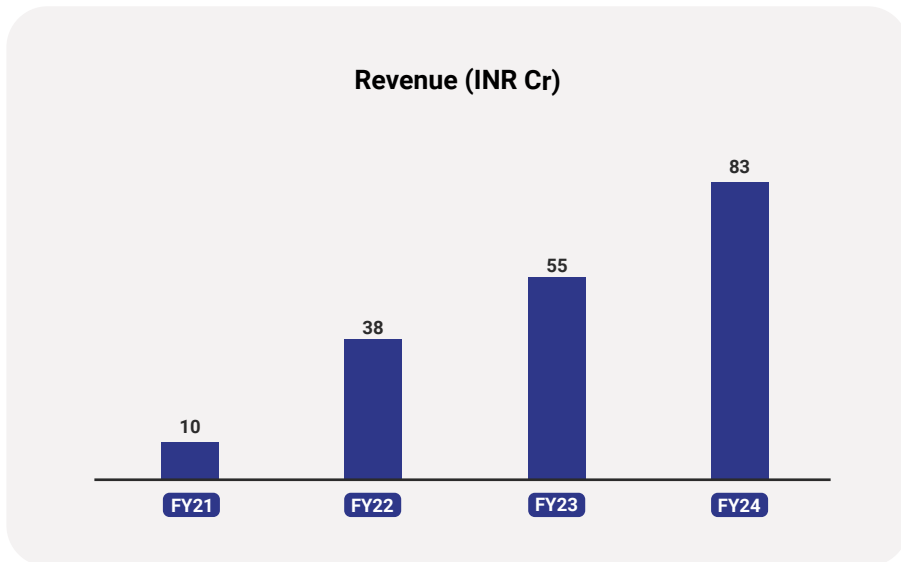
Customer Base: ABC Pvt Ltd. has a customer base of high rated and reliable companies. Majority of its customers operate in the manufacturing and trading of textiles, logistics, and the solar development sector.

Project Execution Capabilities: The company has successfully executed over 200 projects, including large scale projects. Moreover, the company has been able to procure repeat orders from existing customers.

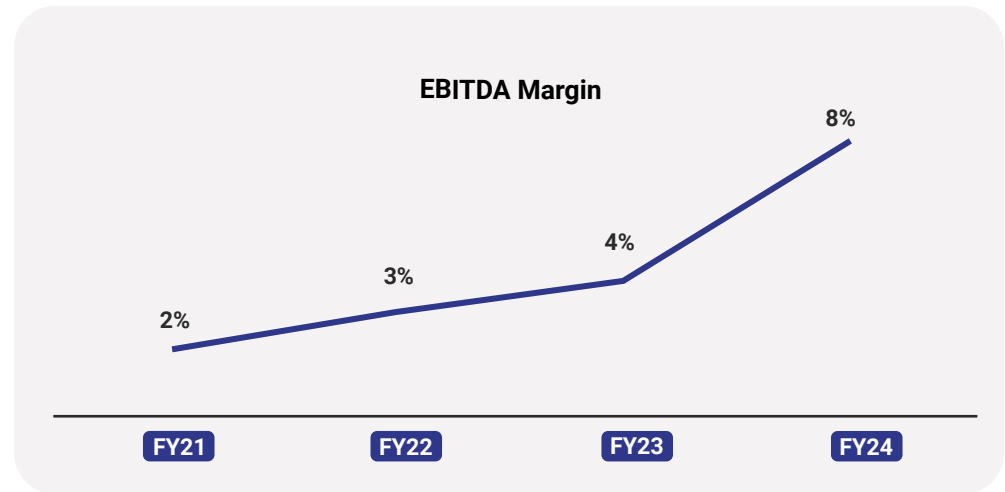
Effective Project Management: The company has collected over 70% of its collection on milestone basis, helping it control the receivable risk.

Financial Strengths:

1. The company's topline has grown more than 8x from FY21 to FY24.



2. As of FY24, the company's leverage (Debt/Net worth) ratio is less than 1.
3. The company has been profitable over the last four years.



Conclusion

ABC Pvt Ltd. faces a significant working capital gap of up to 60 days as its debtor days are more stretched than creditor days due to higher dependence on high value projects. As a result, ABC Pvt Ltd. approached Vivriti Capital for supply chain solution via bill discounting. The company's sound financials, good promoter track record, fundraising capability along with strong industry fundamentals led by the government's push for renewable energy made it an ideal candidate for onboarding.

Disclaimer:

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