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Suryoday Solartech Ltd.: Financing the TOPCon Leap

Dr. Karishma Anklesaria-Dalal

Asst. Professor, Faculty of Business Administration, GLS University

Abstract

Suryoday Solartech Ltd., a mid-sized NSE-listed solar module manufacturer, has won a Production Linked Incentive award for high-efficiency TOPCon capacity — contingent on committing ₹180 crore in capex within 18 months. Kabir Malhotra, the company's newly appointed finance manager, must reconcile three competing financing proposals: an equity-heavy QIP favoured by a covenant-conscious CFO, a debt-heavy term loan favoured by a dilution-averse treasury head, and green NCDs championed by an ESG-focused independent director. Students estimate the cost of equity and debt, compute WACC under book and market value weights, assess leverage and covenant implications, and weigh the trade-offs of sustainable finance instruments in recommending a financing mix.

Kabir Malhotra, 31, had been Assistant Vice President – Finance at Suryoday Solartech Ltd. for eight months when the board asked him to settle an argument that had been running for three weeks. Suryoday was a mid-sized solar photovoltaic module manufacturer listed on the National Stock Exchange (NSE), headquartered in Vadodara, Gujarat. It had just secured a Letter of Award for expanded manufacturing capacity under the government's Production Linked Incentive (PLI) programme for high-efficiency solar PV modules[1]. The catch was the timeline: to qualify, Suryoday had 18 months to add 1.5 GW of TOPCon capacity – Tunnel Oxide Passivated Contact, the higher-efficiency cell technology that had largely overtaken the older PERC design across the industry in recent years. That meant ₹180 crore in plant, machinery and civil works, committed fast. Miss the commissioning deadline, and the incentive allocation would simply lapse.

Kabir had joined Suryoday from an NBFC, pulled in by the chance to work on a company riding India's renewable energy build-out. Refereeing a dispute between three of the company's most senior voices was not, however, what he had pictured as his first big assignment.

Ms Meenal Kulkarni, the CFO, had spent the better part of two decades keeping Suryoday's balance sheet intact through two solar-tariff downcycles, and it showed in how she argued. She wanted the expansion funded mostly through a Qualified Institutional Placement (QIP) of equity. The company's bank covenants capped its debt-equity ratio at 1:1, she reminded Kabir, and headroom under that covenant – plus Suryoday's CRISIL A+ rating – was worth more than shaving a few basis points off the cost of capital. "We will need external commercial borrowing headroom again in two years, for the next expansion phase," she told him. "We cannot use it all up now."

[1] Ministry of New and Renewable Energy, Government of India, "Production Linked Incentive (PLI) Scheme: National Programme on High Efficiency Solar PV Modules," accessed 2026, https://mnre.gov.in/en/production-linked-incentive-pli/

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Mr Arjun Deshpande, who ran treasury, was having none of it. A QIP of the size Ms Kulkarni wanted, he pointed out, would dilute the promoter family's holding from just above 51% to a level that made him distinctly uncomfortable – and at a price he was convinced undervalued the company's growth prospects. His preference was to fund almost the entire expansion through a bank term loan. "Debt is tax-deductible and cheaper than equity. The arithmetic isn't close," he said. "Why give away ownership to fund a project the banks are already willing to lend against?"

Then there was Ms Ritu Anand, an independent director with a background in sustainable finance, who arrived at the debate from a different angle entirely. Her suggestion: green non-convertible debentures (NCDs), issued under SEBI's revised framework for green debt securities. The framework had tightened in recent years – mandatory third-party certification for green-tagged issuances, stiffer disclosure norms – but she believed it would pay off[2]. Green investor demand, she argued, would let Suryoday price the NCDs below its ordinary borrowing rate, a "greenium," while also reinforcing the ESG credentials that mattered more each year to institutional shareholders and to Suryoday's standing in global module supply chains. Ms Kulkarni wasn't convinced. Continuous disclosure obligations, alignment with the company's Business Responsibility and Sustainability Report, the cost of an external reviewer – for a pricing benefit she considered modest, it felt like a lot of added machinery.

Exhibit 1: Financing Options Under Board Consideration			
Option	**Proposed by**	**Structure (for ₹180 crore capex)**	**Indicative pricing**
A	CFO, Ms Kulkarni	QIP equity ₹120 crore + bank term loan ₹60 crore	Term loan: 9.75% p.a.
B	Head of Treasury, Mr Deshpande	Bank term loan ₹150 crore + internal accruals ₹30 crore	Term loan: 9.75% p.a.
C	Independent Director, Ms Anand	Green NCDs (SEBI green debt securities framework) ₹110 crore + QIP equity ₹70 crore	Green NCD: 9.10% p.a.

Note: The existing bank term loan (₹210 crore) continues under all three options; figures above relate only to financing the ₹180 crore expansion.

At the last board meeting, the chairman had given Kabir ten days to come back with a clear, numbers-backed recommendation. He pulled together the board recommendations (Exhibit 1) and the company's latest financials and market data (Exhibit 2), and started thinking through what the board would actually want to hear: the cost of capital under each option, what it would do to Suryoday's leverage and rating, and – since Ms Anand's proposal was now on the table – whether the non-financial upside of the green route was worth its added complexity. He opened a blank spreadsheet and got to work.

Exhibit 2: Suryoday Solartech Ltd. – Financial and Market Snapshot	
Item	**Value**
Equity share capital & reserves (book value)	₹340 crore

[2] Securities and Exchange Board of India, Circular SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/023, "Review of Chapter IX – Green Debt Securities of the Operational Circular for Non-Convertible Securities," February 6, 2023.

Long-term borrowings (book value)	₹210 crore
Debt-equity ratio (book value)	0.62 : 1
Equity shares outstanding	3.20 crore
Current market price per share (NSE)	₹212
Market capitalisation	≈ ₹678 crore
Equity beta (5-year, vs Nifty Energy Index)*	1.05
10-year G-Sec yield	6.8%
Long-run Nifty Energy Index return	14.0%
Existing bank term loan rate	9.5% p.a.
Corporate tax rate	25%
CRISIL long-term rating	A+ (Stable)
Bank covenant on existing facilities	Debt-equity ≤ 1:1
Projected EBIT after capacity expansion	₹95 crore p.a.

** Beta is based on a comparable NSE-listed solar module manufacturer of similar size*

Discussion Questions

1. Compute the cost of equity, post-tax cost of debt, and the weighted average cost of capital (WACC) for Options A, B and C, using both book value and market value weights.
2. Evaluate the effect of each option on Suryoday's debt-equity ratio, interest coverage, and its standing under the existing bank covenant and CRISIL rating.
3. Should Kabir recommend the green NCD route given the compliance obligations under SEBI's green debt securities framework? What non-financial factors belong in this decision?
4. If you were Kabir, which financing mix would you recommend to the board, and why?