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ICRA assigns LBBB- and A3 ratings to the bank facilities of Emmvee Toughened Glass & Photovoltaics Private Limited; assigns stable outlook

ICRA has assigned an LBBB- (pronounced L triple B minus) and A3 (pronounced A three) ratings to the Fund Based limits and Non-Fund Based limits of Emmvee Toughened Glass and Photovoltaics Private Limited (ETGPL) aggregating to Rs. 70.00 crore¹ and Rs. 15.50 crore respectively[†]. The long-term rating carries a stable outlook.

The ratings take into account the increase in PV (photovoltaic) module production capacity of the company during FY 2010 from 15 MW to 65 MW that has led to improvement in size of operations, the healthy order book position in excess of Rs. 200 crore, in-place long-term agreements for solar cell requirements thereby reducing the risks on the supply side and expected continuance of the healthy demand for PV modules across the globe driven by the incentives and subsidies being offered by different Governments. The addition of another vertical – lighting business – in FY 2011 through the purchase of a Group concern would lead to an additional revenue stream for the company, going forward. The ratings are however constrained by the exposure of the profitability indicators to the volatility and linkage between price movement of PV modules and PV cells, that had declined significantly during CY 2009, the high gearing level of the company at 2.26 times as on 31st March 2010 on account of debt-funded capital expansion plans and high working capital intensity in the business.

Company Profile

Emmvee Toughened Glass and Photovoltaics Private Limited (ETGPL) was incorporated on 21st March 2007. The company had been set-up by hiving off the toughened glass unit and photovoltaic unit from Emmvee Solar Systems Pvt. Ltd. (ESSPL) through slump sale deal. The company is currently wholly-held by the promoters. ETGPL is involved into three different business segments – 1) Toughening of Glass, 2) Manufacturing of Photovoltaic modules, and 3) Lighting Business. The Toughened Glass Unit, with installed annual capacity for toughening of 1.4 million sq.m. glass, started commercial production from September 2005 onwards, as part of ESSPL. The Photovoltaic Unit with current installed capacity of 65 MW started commercial production from June 2006, as part of ESSPL. The company would be setting up another 50 MW PV module line by November 2010. The lighting business has been added from April 2010 through purchase of a Group concern involved in the same business.

During FY 2010, the company reported operating income of Rs. 160.93 crore and PAT (Profit After Tax) of Rs. 9.36 crore.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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