ICRA

April 24, 2017

Emmvee Photovoltaic Power Private Limited

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based Limits	50.00	[ICRA]BBB+ (stable) / [ICRA]A2 reaffirmed
Non-fund Based Limits	30.00	[ICRA]BBB+ (stable) / [ICRA]A2 reaffirmed
Term Loans	22.50	[ICRA]BBB+ (stable) withdrawn

*Instrument details are provided in annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) and the short-term rating of [ICRA]A2 (pronounced ICRA A two) assigned to the fund-based limits and non-fund based limits of Emmvee Photovoltaic Power Private Limited (EPPPL) aggregating to Rs. 80.00 crore[1]. The outlook on the long-term rating is Stable. ICRA has also withdrawn the [ICRA]BBB+ (stable) rating assigned to the Rs. 22.50-crore term loan facility of the company, as there is no amount outstanding against the rated instrument.

Rationale

The reaffirmation of the ratings takes into account the decade-long presence of the company in the solar module manufacturing sector. The ratings also favourably take into account the healthy domestic demand outlook for the solar PV installations sector (both in utility & roof-top segment) aided by a favourable policy support both from State and Central Governments as well as an improved tariff competitiveness of solar PV-based energy against other renewable and conventional energy sources. Nonetheless, clarity on the Central Government's policy framework that aims to encourage the domestic sourcing of solar PV module is important for the domestic solar module OEMs in the long run, in ICRA's view. The ratings further continue to factor in the in-place agreements for the company's solar cell requirements with established suppliers, thereby reducing the risks on the supply side. ICRA also notes the successful commissioning of the company's enhanced manufacturing capacity of 485 MW in January 2017 within the budgeted cost, albeit with delay of about three months; nonetheless, the ability of the company to ramp up its operations and maintain healthy plant utilisation levels would remain critical from a credit perspective, given the high competitive intensity in the business.

The ratings are, however, constrained by the expected weakening in the debt coverage metrics of the company on a consolidated basis in the near to medium term as the 40 MW solar capacity is under implementation in Karnataka through its wholly-owned subsidiaries. The gearing levels of the company on a standalone basis continue to remain high owing to the debt-funded capital expenditure as well as the high working capital intensity involved in the business. Furthermore, the company's operating profitability remains exposed to volatility in price spread between photovoltaic (PV) modules and cells, given that cells are imported and contribute a majority share of the cost structure. The ratings are further constrained by the high industry competition, especially from imports, given the sharp fall in the imported solar module prices seen in the past year.

[1] 100 lakh = 1 crore = 10 million

[1] For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

Key rating drivers

Credit strengths

- Established player in the solar module manufacturing sector with experience of about a decade
- Healthy domestic demand outlook for solar sector aided by various State and Central Government initiatives
- Low raw material supply risks as solar cell procurement arrangements are in place with reputed domestic and foreign suppliers

Credit weaknesses

- Gearing levels to remain high in the medium term
- Profitability indicators exposed to volatility and linkage between price movement of solar cells and modules
- Funding support in form of loans and supplier credit provided to project SPVs for setup of solar projects
- High working capital intensity inherent in the business
- Intense competition from Chinese manufactures as well as local domestic players

Description of key rating drivers:

The company completed its large scale capex in January 2017, which enhanced the installed capacity from 135 MW to 485 MW. Total capex outlay towards the same was Rs. 150 crore and was largely funded by debt. The ability of the company to ramp up its utilisation levels of its enhanced capacity amidst high competition remains to be seen.

The company through its wholly owned subsidiaries is setting up a 40 MW solar capacity in Karnataka. The project is expected to be funded in a debt to equity ratio of 3:1. In order to meet the project equity requirements, the company plans to issue redeemable preference shares of about Rs. 74 crore, which would be partly subscribed by the promoter group.

The company's gearing levels remained high (2.30 times as on end December 2016) on account of debt-funded capacity enhancement. Furthermore, the working capital intensity of the company has increased as reflected in the NWC/OI ratio of 34% as on December 31, 2016 owing to higher receivables, as company provides credit of three to four months to its customers.

Analytical approach: On consolidated basis

Links to applicable criteria
Corporate Credit Ratings: A Note on Methodology

About the company:
Emmvee Photovoltaic Power Private Limited (EPPPL), formerly Emmvee Toughened Glass and Photovoltaics Private Limited, was incorporated on March 21, 2007. The company was set-up by hiving off the toughened glass unit and the photovoltaic unit from the group company, Emmvee Solar Systems Pvt Ltd (ESSPL), through a slump sale deal. EPPPL is currently wholly-held by the promoters. It is involved in the following business segments – 1) Manufacturing of photovoltaic modules, 2) EPC business for solar power projects, 3) PV systems. The photovoltaic unit with current installed capacity of 485 MW started commercial production in June 2006, as part of ESSPL. The PV systems business was

added on April 2010 through purchase of a group concern involved in the same business. The company has also setup solar power projects in India and Germany through its subsidiaries. In FY2015, the company sold off its domestic subsidiary, Emmvee Energy Pvt Ltd, and closed the operations of its German subsidiary, Emmvee Photovoltaics GmbH.

In FY2016, EPPPL reported a profit after tax (PAT) of Rs. 10.87 crore on an operating income of Rs. 397.71 crore. In 9M FY2017, EPPPL reported a PAT of Rs. 11.69 crore on an operating income of Rs. 310.14 crore (provisional).

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month- year & Rating in FY2016	Month- year & Rating in FY2015	Month- year & Rating in FY2014
				April 2017	February 2016	January 2015	January 2014
1	Fund-based limits	Long/Short-term	50.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA] A3+
2	Non-fund based limits	Long/Short-term	30.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A3+
2	Term loans	Long-term	22.50	Rating withdrawn	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)

Complexity level of the rated instrument:
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

Annexure-1

Details of Instrument

Name of the instrument	**Date of issuance**	**Coupon rate**	**Maturity Date**	**Size of the issue (Rs. Cr)**	**Current Rating and Outlook**
Fund Based	-	-	-	50	[ICRA]BBB+(Stable)/[ICRA]A2
Non Fund Based	-	-	-	30	[ICRA]BBB+(Stable)/[ICRA]A2

Source: Emmvee Photovoltaic Power Private Limited

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About ICRA Limited:
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