February 18, 2025

Emmvee Energy Private Limited: Ratings assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Cash credit	175.0	[ICRA]BBB+ (Positive); assigned
Long-term/Short term – Fund-based/Non-fund based - Others	75.0	[ICRA]BBB+ (Positive)/ [ICRA]A2; assigned
Total	**250.00**	

**Instrument details are provided in Annexure I*

Rationale

While arriving at the ratings of Emmvee Energy Private Limited (Emmvee Energy), ICRA has taken a consolidated view of Emmvee Energy and its parent company - Emmvee Photovoltaic Power Private Limited {EPPPL; rated [ICRA]BBB+ (Positive)/[ICRA]A2} - and other group companies. The ratings factor in the revenue visibility on the back of a healthy order book position and the commissioning of an integrated solar PV cell-cum-module capacity. The revenue visibility is further strengthened by the favourable business outlook for domestic solar module manufacturers, given the policy thrust by the Government of India (GoI) and the strong project pipeline in the solar power sector. Emmvee Energy commissioned its 1,500-MW integrated solar PV cell and module manufacturing facility in September 2024 and another 1,500-MW module manufacturing capacity in December 2024. Apart from this, EPPPL has module manufacturing capacity of 1250 MW.

The ratings consider the better-than-expected improvement in EPPPL's profitability and accruals in FY2024-FY2025, led by higher sales volume from its existing 1,250-MW module manufacturing capacity and a stable contribution margin even as the realisations contracted during the year. Moreover, the ratings continue to consider the strong track record of EPPPL in solar module manufacturing and its long association with reputed domestic and foreign suppliers, which limits raw material supply risks. An expanded capacity base and a sizeable order book are expected to drive a strong growth in revenues and profitability over the next two years.

The company is also likely to benefit from the healthy export demand for Indian manufacturers, which will support the economics of its integrated cell-to-module line. The company is eligible to receive capital subsidy in the range of Rs. 320-350 crore for the 1,500-MW cell and module line under the Electronics System Design and Manufacturing (ESDM) scheme and the Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS). However, a timely receipt of the capital subsidy remains to be seen.

The ratings are, however, constrained by the company's leveraged capital structure and moderate debt coverage indicators owing to the recent debt-funded capex and working capital borrowings. Therefore, the ability of the company to ramp up the operations of the new capacity would remain important to improve its leverage and debt coverage metrics, going forward.

ICRA also takes note of the exposure of EPPPL's profitability to the volatility in raw material (RM) prices, mainly solar PV cells, glass, back sheet and aluminum frame, among others. While the company will remain exposed to the variations in exchange rate on imported cells, the commissioning of the integrated cell-to-module line under Emmvee Energy will mitigate the risk to some extent. However, the cost competitiveness of domestic solar cells remains relatively weak compared to imported cells. Nonetheless, EPPPL is mitigating these input cost risks through a pass-through arrangement in its contracts with key customers, which account for a majority portion of the outstanding order book.

The ratings also consider the highly concentrated, though reputed, customer profile of the pending order book and the risk of delays in the execution of projects by the customers.

Further, ICRA notes that the domestic module manufacturing sector is characterised by stiff competition and continues to attract new players, given the current trend of transition from fossil fuel to renewable sources, with a higher share towards the solar sector. Moreover, there is continuous innovation on the product side in the global market, which necessitates regular upgrades and investments in product development by the company. ICRA also takes note of the risks pertaining to any devolvement of warranties given on the supply of solar modules, though there have not been any major warranty claims on the Group in the last few years.

The Positive outlook on the long-term rating reflects ICRA opinion that the steady scale-up of the newly commissioned facilities of Emmvee Energy (1.5-GW cell-cum-module line along with 1.5-GW module line) is expected to support a material jump in the consolidated earnings starting FY2025. The improved earnings and a moderation in the capex intensity are expected to lead to a marked improvement in the leverage metrics over the near to medium term.

Key rating drivers and their description

Credit strengths

Established presence in solar module manufacturing industry – EPPPL is an established player in the solar module manufacturing sector, with a module manufacturing capacity of 1,250 MW, a 1,500-MW integrated cell-cum-module manufacturing and a 1,500-MW module line under its wholly-owned subsidiary Emmvee Energy. The company has a demonstrated track record of over a decade in the module manufacturing business.

Favourable demand outlook for domestic module manufacturers - The demand outlook for domestic solar module manufacturers remains favourable, supported by the energy transition targets announced by the Government of India with focus on the solar power sector, along with the GoI's plan to promote the development of the domestic solar PV manufacturing value chain. This is reflected through policies such as the imposition of basic customs duty (BCD) on imported cells and modules, the requirement of procuring solar modules from suppliers included in the approved list of module manufacturers (ALMM) which now features only domestic suppliers, and the notification of the production-linked incentive (PLI) scheme to improve the cost competitiveness of domestic manufacturers.

Revenue visibility from healthy order book position and commissioning of new/expanded capacity – EPPL's pending order book position (including of Emmvee Energy) was ~Rs. 8,198 crore as on November 22, 2024 for the supply of PV modules, thereby providing revenue visibility over FY2025 and FY2026. The orderbook includes a large order from NTPC Renewable Energy Ltd for supplying solar PV modules of ~795 MW with the use of domestic cells in the current financial year. This is expected to significantly scale up the company's revenues and profitability in FY2025 and FY2026.

Improved performance in FY2024/FY2025 – The company demonstrated a robust improvement in its profitability and accruals in FY2024 over FY2023, led by higher sales volume from its existing 1,250-MW module manufacturing capacity and a stable contribution margin even as the realisations contracted during the year. This helped improve the debt coverage metrics in FY2024 over FY2023. During 9M FY2025, EPPPL on standalone basis reported revenues of ~Rs. 1,240 crore, while Emmvee Energy reported a revenue of ~Rs. 710 crore till January 31, 2025 after the operations commenced in September 2024.

Credit challenges

Relatively high leverage; likely to improve over the medium term - The capital structure of the company remains leveraged, with total debt/OPBDITA above 8.46 times in FY2024, predominantly due to the debt-funded solar PV cell and module manufacturing capacity of 1,500 MW under its subsidiary, EEPL, which was recently commissioned. This was set up at a cost of Rs. 1,733 crore, with 75% debt funding. In addition, EEPL has set up a module capacity of 1.5 GW at a cost of Rs. 216 crore to be funded in a debt:equity mix of 75:25, which commenced operations from December 2024-end. While the leverage remains high and the debt coverage metrics moderate, they are likely to improve over the medium term on the back of an expected growth in revenues and profitability, following the commissioning of the expanded capacity and a healthy order execution.

High customer concentration risk in pending order book position - The order book is highly concentrated, with the top five customers accounting for ~82% of the total orders. However, the risk is mitigated to a certain extent by a reputed customer profile and the letter of credit (LC)-backed/advance payments before dispatch. Any execution delays by these customers would adversely impact the company's ability to scale up its revenue and profitability.

Exposure of profitability to volatility in raw material prices and competitive pressure - The profitability indicators remain exposed to the volatility in the prices of key raw materials like solar cells, wafers, glass, backsheet and aluminium, among others. Nonetheless, the company is mitigating this risk through a pass-through arrangement for the raw material cost in its contracts with key customers, which account for a majority portion of the outstanding order book. Further, the commissioning of the cell line mitigates this risk to a certain extent. Also, the company remains exposed to competition from other domestic manufacturers, especially with the announcement of large expansion plans by existing players and the entry of big new players. Additionally, given the risk of technological obsolescence in industry, the players need to invest in new technologies at regular intervals.

Risk of devolvement of warranties on solar modules - The operations remain exposed to risks pertaining to any devolvement of warranties on the supply of solar modules. However, the warranty claims have remained low so far, which provides assurance on the quality of the Group's products and services.

Liquidity position: Adequate

Given the sizeable expansion plan, the consolidated entity reported negative free cash flows in FY2024 and this is likely to continue in FY2025 as well. However, the consolidated free cash flows are expected to turn positive in FY2026/FY2027 with a gradual scale-up in revenues and profitability in H2 FY2025 and a moderation in the capex intensity going forward. Hence, the consolidated liquidity position has been assessed as adequate. The company's liquidity is further supported by the moderate working capital intensity due to the advances received from customers for the ongoing orders. Further, comfort is drawn from sanctioned fund-based working capital limits of Rs. 175 crore under Emmvee Energy, which remains unutilised as on November 30, 2024. Further, EPPPL had undrawn working capital limits of ~Rs. 30 crore as on September 30, 2024, which provides additional liquidity buffer.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company is able to demonstrate a significant scale-up in its revenues and profitability, leading to an improvement in the credit metrics and liquidity position. A specific credit metric for upgrade would be the total debt/OPBIDTA falling below 2.5 times on a sustained basis.

Negative factors – Pressure on EPPPL's ratings could arise if the company is unable to scale up its operations, affecting its revenue and profitability. Also, an elongation of the working capital cycle adversely impacting the company's liquidity position would be a trigger for downgrade. A specific credit metric for downgrade would be a DSCR below 1.4 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profiles of the company. The list of subsidiaries considered for consolidation are provided in Annexure II

About Emmvee Energy

Bengaluru-based Emmvee Energy is wholly-owned subsidiary of EPPPL. Emmvee Energy has set up a 1,500-MW solar PV integrated cell and module manufacturing facility in Bengaluru, which started operations from September 2024. The company has also laid a 1,500-MW module line, which commissioned from December 2024-end at a project cost of ~Rs. 216 crore with 75% debt funding from IREDA (Rs. 162 crore) and the balance 25% from equity/internal accruals.

About EPPPL

EPPPL, set up in March 2007, is involved in the manufacturing of solar photovoltaic (PV) cells and modules. The company has a module manufacturing capacity of 1,250 MW, enhanced from 500 MW, following the commissioning of the new 750-MW line in July 2022. This apart, the company operates 8-MW solar power assets in Germany. EPPPL is currently wholly held by the promoters, Mr. Manjunatha D.V and Mrs. Shubha Manjunatha.

Key financial indicators

Emmvee Energy (audited): NA (Emmvee Energy commenced operations from September 2024)

EPPPL Consolidated (audited)

	FY2023	FY2024
Operating income	616.2	964.2
PAT	23.2	74.8
PAT/OI	12.3%	17.7%
OPBDIT/OI	3.8%	7.8%
Total outside liabilities/Tangible net worth (times)	3.3	6.7
Total debt/OPBDIT (times)	6.9	8.5
Interest coverage (times)	3.1	6.2

Source: Company, ICRA Research;; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years							
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Feb 18, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash credit	Long term	175.0	[ICRA]BBB+ (Positive)	-	-	-	-	-	-	-	-
Fund-based/Non-fund-based - Others	Long term/Short term	75.0	[ICRA]BBB+ (Positive)/ [ICRA]A2	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Cash credit	Simple
Long term/Short term – Fund-based/Non-fund based - Others	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based – Cash credit	-	-	-	175.0	[ICRA]BBB+ (Positive)
NA	Fund-based/Non-fund-based - Others	-	-	-	75.0	[ICRA]BBB+ (Positive)/ [ICRA]A2

Source: Company

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis

Company Name	EPPPL Ownership*	Consolidation Approach
Emmvee Energy GmbH	100.00%	Full Consolidation
Solarpark Emmvee Sokrates GmbH	100.00%^	Full Consolidation
Solarpark Doberschutz GmbH	100.00%^	Full Consolidation
Emmvee Verwaltungs GmbH	100.00%^	Full Consolidation
Emmvee Energy Private Limited	100.00%	Full Consolidation

*Source: Company; * as on March 31, 2024; ^ held by Emmvee Energy GmbH*

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