

Press Release

Emmvee Photovoltaic Power Private Limited

April 12, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	35.00	-	ACUITE A2 Assigned
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuité has assigned its long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B Plus**) and the short term rating of '**ACUITE A2**' (read as **ACUITE A Two**) on the Rs. 100.00 Cr bank facilities of Emmvee Photovoltaic Power Private Limited (EPPPL). The outlook is '**Stable**'.

Rating Rationale

The rating assigned reflects the established track record of the company and the experience of the promoters. Further, the rating factors in the healthy order book position which is likely to translate into growth in revenue over the next two financial years. Additionally, the industry outlook for renewable energy is positive with the Government initiatives to switch to green energy, thus, awarding an advantage to the company. However, the rating is constrained due to working capital intensive operations, moderate financial risk profile, susceptibility of fluctuations in input costs and the industry competition.

About the Company

Emmvee group was founded in year 1992 with solar water heater business by Mr. Manjunatha D.V. With solar water heater business becoming quite prominent, in 2007, Company launched solar PV modules business with a small capacity and then increased by 500 MW in 2017, thus, EPPPL was incorporated in 2007. EPPPL has recently commissioned the 750 MW of Module line with higher efficiently module. EPPPL is currently operating the module production capacity by 1250 MW. Emmvee Group is engaged into the business of manufacturing of solar modules, solar water heater, execution of solar pump projects, EPC works, rooftop solution, operation & maintenance, etc. and having more than 30 years of experience in the solar industry.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of EPPPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

The company was incorporated in 2007 and commenced manufacturing PV Modules with installed capacity of 125 MW. Over the past 15+ years, the company has increased its installed capacity to 1.25 GW as on February 28, 2023 owing to its established track record of operations.

The management of the company has more than fifteen years of experience in the field of manufacturing of PV Modules, and, the promoter, Mr. Manjunatha has an experience of more than three decades in the Solar Power industry.

Acuité believes that the established operations of the company coupled with the experience of the management will benefit the company in the medium term.

Growth in Revenue and Healthy Order Book

The company recorded improvement in operating incomes in FY22 as against FY21 – Rs. 508.45 Cr in FY22 as against Rs. 363.69 Cr in FY21. The operating income grew by approx. 40 percent due to increase in volume sales and dynamic pricing of the products. Further, the company has an outstanding order book of approx. Rs. 3,282.78 Cr as on February 15, 2023. This order book position is likely to translate into revenue over the next 12-15 months, thus, resulting in likely increase in revenue by about 2.5 - 3 times from the FY22 numbers in near to medium term. The operating margins of the company has stood at 12.51% in FY22 as against 17.82% in FY21. However, the PAT margin has improved and stood at 1.68% in FY22 as against 0.92% in FY21.

Acuité believes that the company's revenue may grow substantially in the near to medium term supported by its healthy order book.

Positive Industry Outlook

Government of India's thrust on developing solar capacity in India and increase in the Basic Customs duty (BCD) on solar modules to 40% and solar cells to 25% with effect from April 2022, will enable the company to boost sales and increase profitability margins going forward. Further, in the export market USA government has imposed anti-dumping duty as high as 200% on the import of modules from China. The European Union has resolved to lower its dependency on imports of energy requirement from Russia due to ongoing Russia-Ukraine conflict. The European nations are looking for options beyond China to cater its energy needs and with no other alternative source the demand from Indian renewable energy is bound to happen.

Acuité believes that the Government's focus on this sector would help the company in maintaining their recurring receipt of orders and sustain the high growth momentum.

Weaknesses

Working Capital Intensive Operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 173 days as on March 31, 2022 as against 236 days as on March 31, 2021. The improvement in GCA days are on account of improvement in debtor period which stood at 28 days as on March 31, 2022 as compared to 80 days as on 31st March 2021. The GCA Days have improved over the previous year, however, the standalone period is considered high. The inventory holding level is high at 91 days as on March 31, 2022 as compared to 124 days as on March 31, 2021. Whilst the company has improved the inventory holding days, the standalone metric is yet regarded high.

Going forward, Acuité expects substantial improvement in their working capital management mainly due to the company's increased focus on exports which will lower debtor period since the company collects advance for export sales.

Moderate financial risk profile

The company's financial risk profile is moderate marked by healthy network, moderate gearing and debt protection metrics. The tangible net worth of the company marginally improved to Rs. 184.08 Cr as on March 31, 2022 from Rs. 175.50 Cr as on March 31, 2021 due to accretion of profits earned in FY22. Gearing of the company stood moderate as Debt-to-Equity ratio stood at 1.46 times as on March 31, 2022 as compared to 1.57 as on March 31, 2021. The debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 2.32 times as on March 31, 2022 and Debt Service Coverage Ratio (DSCR) at 1.02 times as on March 31, 2022.

Acuité believes that going forward the financial risk profile of the company may improve backed by considerable improvement in their accruals and no major debt funded capex plans.

Highly competitive industry & fluctuation in raw material prices impacting profitability

The Company is operating in highly competitive industry. It is exposed to intense competition from several players operating in the industry. EPPPL's profitability margins are susceptible to fluctuations in the prices of major raw material. The operating profit margin declined to 12.51% in FY22 compared against 17.82% in FY21 owing to such price fluctuations.

Acuité believes that the company's profitability margins will remain a key rating sensitivity as the same is susceptible of volatility in input costs.

Rating Sensitivities

- Growth in revenues along with improvement in profitability margins
- Any further elongation in working capital cycle
- Reduction in order flow

Material covenants

None

Liquidity Position

Adequate

The company's liquidity is adequate marked by the cash and bank balances of the company, which stood at Rs. 37.39 Cr as on March 31, 2022 as compared to Rs. 1.87 Cr as on March 31, 2021. The fund-based limit remains utilised at approx. 73 per cent over the six months ended January 2023. However, the current ratio stood moderate at 1.01 times as on March 31, 2022. The working capital-intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 173 days as on March 31, 2022 as against 236 days as on March 31, 2021. However, the company is expected to generate adequate cash accruals against the expected maturing debt obligations during the same tenure.

Acuité believes that going forward the company will improve its liquidity position due to steady accruals, on account of positive outlook of industry and healthy order book position.

Outlook: Stable

Acuité believes that EPPPL will continue to benefit over the medium term from the promoter's experience and established track record in the aforementioned industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales while improving its profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue and profitability.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	508.45	363.69
PAT	Rs. Cr.	8.54	3.35
PAT Margin	(%)	1.68	0.92
Total Debt/Tangible Net Worth	Times	1.46	1.57
PBDIT/Interest	Times	2.32	1.96

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2 Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A2 Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	45.00	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

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