

PV Power Technologies Private Limited

May 17, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long/Short-term Fund Based – Cash Credit/Pre & Post Shipment Cr.	19.50	CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook: Stable/A Three)	Reaffirmed
Long/Short-term Non Fund Based- Letter of Credit/Bank Guarantee	14.00 (Enhanced from Rs 5.25 crore)	CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook: Stable/A Three)	Reaffirmed
Total	33.50 (Rupees Thirty Three crore and Fifty lakh only)		

Detailed Rationale and Key Rating Drivers

The ratings assigned to the bank facilities of PV Power Technologies Private Limited (PV Power) factor increasing scale of operations, resourceful promoters, moderate order book position and track record in manufacturing and system integration of photovoltaic (PV) solar modules. The ratings also take into account comfortable debt coverage indicators and a moderate leverage position.

The ratings are, however, constrained by, company's presence in a highly competitive and fragmented industry resulting in moderate profitability, its exposure to volatility in raw-material prices and foreign exchange fluctuations and its working capital intensive operations.

The ability of PV Power to further increase its scale of operations, improve its profitability and efficiently manage its working capital requirements are the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating Strengths**

Extensive experience and resourcefulness of promoters: PV Power was incorporated in 2008 and has a track record of 8 years in the industry. PV Power is promoted by Mr Aalok Shanghvi, Mr Pushpak Desai and Mr Jimmi Desai. Mr Aalok Shanghvi is the son of Mr Dilip Shanghvi; Managing Director in Sun Pharmaceuticals Industries Ltd. Mr Aalok Shanghvi is currently not involved in the day-to-day operations of PV Power and acts as a director in Sun Pharmaceuticals Industries Ltd. The other promoter, Mr Pushpak Desai, was Managing Director in Sundaram Jewels Private Limited. His brother, Mr Jimmi Desai (Managing Director in PV Power) joined PV Power after completing MBA from Baruch College, City University of New York, and has an experience of over eight years.

Technical Competence: PV Power's manufacturing plant is well equipped with equipment imported mainly from Europe. Its plant is ISO 9001 and ISO 14001 certified. The current PV Module production capacity is 100 MW.

Diversified product portfolio: PV Power's operations though restricted to solar energy sector are diversified into various product lines which range from Solar Panels, Solar power plants & Roof top solutions and Solar Water Pumps.

Increased scale of operations: In FY16 (refers to the period April 1 to March 31), there is a significant increase in the net sales to Rs.81.15 crore as against Rs.47.99 crore in FY15, on account of increase in the demand for modules and execution of a major project from Government of Rajasthan and Airports Authority of India. During FY16 and 9MFY17, the company increased its installed capacity for manufacturing of PV modules from 50 MW to 100 MW.

Comfortable debt coverage indicators and moderate leverage position: The overall gearing of the company slightly deteriorated from 1.26 times as on March 31, 2015, to 1.40 times as on March 31, 2016. The company usually avails debt

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

only for working capital requirements and capex is planned to be funded out of internal accruals. Interest coverage is 3.00 times in FY16 (FY15: 1.90 times). Total Debt to Gross Cash Accruals of the company also showed an improvement from 8.50 times in FY15 to 5.68 times in FY16.

Key Rating Weaknesses

Volatility in raw-material prices: Solar panel prices have witnessed sharp decline over the past few years on account of the significant improvement in technology and economies of scale. Thus, the profitability of the company remains exposed to the volatility in solar cell prices as it majorly has Fixed-Price contracts with its clients.

Exposure to foreign exchange fluctuation risk: The company has meager exports while it imports solar cells which form around 60-70% of the total raw material cost and also other raw materials. Value of imports was about Rs.7.54 crore in FY16. It is thus exposed to foreign currency fluctuation risk as it does not enter into hedging. However, as the company maintains minimal inventory it is exposed to price volatility only for about a month.

Moderate profitability: With high competition, the profitability of players is at moderate levels with PV Power reporting Profit Before Interest Lease Depreciation and Tax (PBILDT) margin at 6.34% in FY16 vis-à-vis 6.91% in FY15. In FY16, the company reported PAT of Rs.2.56 crore.

Working capital intensive operations: The operations of the company are working capital intensive in nature. The company generally receives payments from customers in modules business within 30 days from invoicing. However, payments from projects get delayed from Government departments. The company pays its suppliers on delivery or enjoys a credit period of 30-60 days. The average utilization of the fund-based working capital limits is on a higher side; 82% for the 12 months ended February 2017.

Analytical approach - Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

Company Background

PV Power is engaged in the business of manufacturing of Photo Voltaic (PV) solar modules/panels ranging from 10 Watt (W) to 315 W using mono or multi crystalline cells. PV Power commenced commercial operations for manufacturing of PV solar modules in the year 2009 at its plant located at SEEPZ, Special Economic Zone located in Mumbai. PV Power is ISO 9001 & 14001 certified by Technischer Überwachungsverein (TUV), Technical Inspection Association of Germany. Furthermore, the company also undertakes installation of Solar Plants, Solar Roof Top Systems and Solar Water Pumping Systems. The company has an installed capacity of 100 MW as on March 27, 2017, for manufacturing of PV solar modules. The company was initially involved in export of modules to Europe, Asia and Africa but due to increased competition from China and fall in prices of modules, the company decided to withdraw from the export markets and is now present mainly in domestic market.

Status of non-cooperation with previous CRA: NA

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	19.50	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-BG/LC	-	-	-	14.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	19.50	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (02-May-17)	-	-	-
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	14.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (02-May-17)	-	-	-

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