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Mumbai

CRISIL Research assigns IPO grade 3/5 to Indosolar Limited

CRISIL has assigned a CRISIL IPO grade of "3/5" (pronounced "three on five") to the proposed initial public offer (IPO) of Indosolar Limited. This grade indicates that the fundamentals of the IPO are average relative to other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy/sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The grading assigned reflects CRISIL's view that the depleting energy reserves and the consensus among various nations to cut emissions and focus on an alternative clean source of energy is positive for the solar industry. The grading also reflects the strong track record of the promoters with respect to their previous technology-intensive venture at Halonix (Earlier Phoenix Lamps). However, the grading is tempered by the fact that the technology for manufacturing SPV (solar photo voltaic) cells is still evolving and, therefore, carries the risk of obsolescence for existing players including Indosolar. The company also has no prior experience in the solar PV cells business and is expected to face competition from large and established players. Further, the grading takes into consideration the fact that the growth of the solar industry would depend entirely on governmental support as the cost of power generation currently is very high and the solar industry would take several years to achieve grid parity (cost of generation). Indosolar is also entitled to capital subsidy from the government subject to fulfillment of certain conditions, which would help in reducing capital cost of the company.

About the company and the issue

Indosolar Ltd. is engaged in the manufacturing of SPV cells from crystalline silicon wafers, used for converting sunlight directly into electricity. The company was incorporated under the Companies Act, 1956 on April 8, 2005 and was subsequently acquired by the current promoters Mr B.K. Gupta and his son Mr Hulas Rahul Gupta in 2006.

The company started manufacturing SPV cells in July 2009 following the commissioning of Line 1 with an annual manufacturing capacity of 80 MW. The company has state-of-the art manufacturing facility in Noida, Uttar Pradesh commissioned on a turnkey basis by Schmid, one of the leading global technology providers.

Indosolar is looking at expanding its manufacturing capacity further. Expansion through Line 2 with an annual capacity of 80 MW is under progress and is expected to be commissioned by March 2010. The company has incurred a capital expenditure of Rs 6,670 mn for Line 1 and Line 2, funded through a mix of debt (of Rs 4,600 mn) and equity contribution from the promoters.

The company plans to raise around Rs 4,000 mn through the IPO mainly to fund the expansion of Line 3 which would have an annual manufacturing capacity of 100 MW.

As on January 5, 2010 the company has a strong order book of 78.08 MW with a contract value of Rs 5,063.9 mn.

About CRISIL IPO Grading

CRISIL IPO grading is an opinion on the fundamentals of the graded issue that reflects CRISIL's independence and expertise. This opinion is expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research. A CRISIL IPO grade of 5/5 indicates strong fundamentals and a CRISIL IPO grade

of 1/5 indicates poor fundamentals. CRISIL IPO grading reflects its assessment of the graded company's equity fundamentals as distinct from an assessment of debt fundamentals. A CRISIL IPO grade should not be construed to mean a comment on the price of the graded security, nor is it a recommendation to invest or not to invest in the graded security.

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