

Press Release

Platinum Solar Private Limited

November 29, 2019

Rating Upgraded

Total Bank Facilities Rated*	Rs.11.00 Cr.
Long Term Rating	ACUITE B+/ Stable (Upgraded from ACUITE B/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs.11.00 crore bank facilities of Platinum Solar Private Limited (PSPL). The outlook is 'Stable'.

The rating upgrade is mainly on account of improvement in the business risk profile of the company, which was mainly due to stabilization of the operations of the power plant as well as timely support from the promoters by the way of infusion of unsecured loans for timely servicing of its debt obligations. The rating however, is constrained by stretched receivables and average financial risk profile.

Hyderabad based Platinum Solar Private Limited (PSPL) was incorporated in the year 2015 by Mr. K Prasad Reddy and Ms. Rajeshwari. PSPL has developed a solar project in the Nalgonda District of Telangana state with capacity of 2 MW. The company has entered in the 20 years PPA (power purchasing agreement) with Telangana State Southern Power Distribution Company Limited (TSSPDCL) at a tariff of Rs.6.45 per unit.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced Management

The promoters of the company, Mr. K Prasad Reddy and Ms. Rajeshwari have an extensive experience in the renewable energy sector for more than decade through their previous ventures. Acuite believes that PSPL will continue to benefit from the promoter's established presence in the industry over the medium term.

• Stabilized operations and stable revenue visibility

The company has registered revenues of Rs.2.57 crore in FY2019 as against Rs.2.53 crore for FY2018. The average plant load factor (PLF) stood at average of 23 percent in FY2019. The company has entered in the 20 years PPA (power purchasing agreement) with Telangana State Southern Power Distribution Company Limited (TSSPDCL). The company would be able to receive Rs.6.45 per unit for the next 20 years, which gives a revenue visibility over the medium term.

Weaknesses

• Average Financial Risk Profile

PSPL's financial risk profile is average marked by low net worth and moderate debt protection matrices. The net worth of the company stood at 4.52 crore as on 31 March 2019 as against 4.12 crore as on 31 March 2018. The increase in the net worth was mainly on account of accretion to reserves. The gearing stood at 2.22 times as on 31 March 2019 as against Rs.2.43 times as on 31 March 2018. The total debt as on 31 March 2019 consists of term loans of Rs.8.83 crore and unsecured loans of Rs.1.22 crore. The debt protection matrices stood moderate marked by interest coverage of 2.11 times and Debt Service Coverage ratio (DSCR) of 1.26 times for FY2019. Acuite believes that the company will maintain its financial risk profile over the medium term.

• Dependence on favorable climatic conditions for power generation

PSPL is engaged in solar power generation. Solar power generation is largely dependent on the adequate solar radiation. The company is exposed to risk related with climate conditions. Solar radiation in particular place is dependent on factors like sunny days, weather conditions like rain etc.

Liquidity Position: Stretched

PSPL has stretched liquidity marked by moderate cash accruals vis-à-vis repayment obligations. The company generated cash accruals in the range of Rs.0.47-1.10 crore for last three years ended FY2019 against which the repayment obligation stood at Rs.0.64 crore for the same period. The promoters have infused unsecured loans as and when needed for ensuring timely servicing of debt obligations. The company has elongated working capital operations mainly on account of delays in the realization from the counter party, i.e. TSSPDCL. The current ratio stood high at 2.85 times as on 31 March 2019 mainly on account of stretched receivables.

Rating Sensitivities

- Significant improvement in revenues while maintaining the profitability margins
- Deterioration in working capital cycle on account of delays in realisation from the counterparty

Material Covenants

- DSCR > 1.1 through the entire tenure of the facility

Outlook: Stable

Acuite believes PSPL business risk profile will remain 'Stable' over the medium term from the extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in the revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or deterioration in the financial risk profile due to stretch in its working capital cycle.

About the Rated Entity - Key financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	2.57	2.53	2.09
EBITDA	Rs. Cr.	2.24	2.19	1.60
PAT	Rs. Cr.	0.40	0.33	(0.18)
EBITDA Margin	(%)	87.21	86.80	76.91
PAT Margin	(%)	15.57	12.93	(8.55)
ROCE	(%)	10.78	10.83	13.81
Total Debt/Tangible Net Worth	Times	2.22	2.43	2.74
PBDIT/Interest	Times	2.11	1.96	1.35
Total Debt/PBDIT	Times	4.49	4.53	6.41
Gross Current Assets (Days)	Days	366	188	123

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
23-July-19	Term loan	Long Term	11.00	ACUITE B Issuer not co-operating*
21-May-18	Term loan	Long Term	9.40	ACUITE B/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.60	ACUITE B/Stable (Assigned)
11-Jan-18	Term loan	Long Term	11.00	ACUITE B Issuer not co-operating*
20-Aug-16	Term loan	Long Term	11.00	ACUITE B/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.84	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.16	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)

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About Acuité Ratings & Research:

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