Press Release

Raygen Power Private Limited

July 26, 2019

Rating Upgraded

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** from **'ACUITE D' (read as ACUITE D)** on the Rs.15.00 crore bank facilities of RAYGEN POWER PRIVATE LIMITED (RPPL). The outlook is **'Stable'**.

The upgrade in rating reflects timely servicing of its debt obligations, stabilisation of operations, long term power purchase agreements (PPA) with the DISCOMS. However, rating remained to be constrained by modest scale of operations and stretch in its working capital cycle.

Raygen Power Private Limited (RPPL) was incorporated in August 2015 by Mr. Prasad Reddy Kambam and Ms. Spoorthi Kambam. The company runs a 3.3 MW solar power plant at Kolar district, Karnataka. RPPL has entered into a long-term PPA with Chamundeshwari Electricity Supply Corporation Limited (CESCL), Mysore. The PPA tenure is 25 years.

The sister concern of RPPL, namely Rajpet Energy LLP (REL) has also set up a solar power plant of 1.1 MW at Kolar (Karnataka). The firm has PPA agreement with Bangalore Electricity Supply Company Limited (BESCL). The PPA tenure is 25 years.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Raygen Power Private Limited and Rajpet Energy LLP due to common management, similar line of business and financial synergies among them. Both the entities are together referred as RR group.

Key Rating Drivers

Strengths

- **Experienced management**

  The group is promoted by Mr. Prasad Reddy and family who possess more than five years of experience in the renewable energy sector. The management, in the past, executed three solar power projects aggregating to 18.5 MW. The RR group has signed PPA agreements with Chamundeshwari Electricity Supply Corporation Limited (CESCL) and Bangalore Electricity Supply Company Limited (BESCL) for the entire capacity at a rate of Rs.8.40/- per kilo Watt per Hour. Acuité believes that long-term PPA is expected to support in maintaining its business risk profile over the medium term.

- **Moderate financial risk profile**

  Financial risk profile of the group is moderate marked by moderate gearing (Debt-Equity), total outside liabilities to total net worth (TOL/TNW) and debt protection metrics. The gearing (debt-to- equity) and TOL/TNW are moderate at 1.29 and 1.46 times as on 31 March, 2019 (Provisional) as against 1.89 and 2.02 times as on 31 March, 2018. Net worth stood at Rs.11.22 crore as on 31 March, 2019 (Provisional) as against Rs.8.89 crore as on 31 March, 2018. Of the total debt of Rs.14.47 crore on 31 March, 2019, long term debt constitutes Rs13.09 crore and unsecured loans of Rs.1.38 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood moderate at 3.64 times and 0.22 times in FY2019 (Provisional) as against 2.97 times and 0.17 times in FY2018. The group reported net cash accruals (NCA) of Rs.3.16 crore in FY2019 (Provisional) as against Rs.2.86 crore in FY2018. Cash accruals are expected in the range of Rs.3.2-3.4 crore against the debt repayment obligations of Rs.2.6 crore. Acuité believes that with moderate accruals and in the absence of major debt funded capital expenditure, financial risk profile is expected to be moderate over the medium term.

Weaknesses

- **Cash flow management**
As per the PPA terms, the tariff agreed is Rs.8.40 per unit; however, the company/group is paid at Rs.6.44 per unit owing to delay in commencement of operations. This resulted in mismatch in its cash flow, though the same is supported by regular infusion of funds by way of unsecured loans (USL) by promoters. As a result of differential tariff, receivables have gone up from Rs.0.33 crore in FY2017 to Rs.2.45 crore in FY2018 and Rs.4.23 crore in FY2019 (Provisional). Ability of the group in resolving the issue quickly with DISCOMS for original rate would be the key rating sensitivity factor over the medium term.

- **Dependence on climatic conditions**
The performance of the solar plant is highly dependent on favorable climatic conditions including the solar radiation levels which have direct impact on the plant load factor (PLF). PLF of RPPL stood at 19.40 percent in FY2019 as against 18.76 percent in FY2018. PLF for REL stood at 19.63 percent in FY2019 as against 18.79 percent in FY2018. Acuité believes that sustenance of PLF levels are key critical element in maintaining the business risk profile.

- **Exposure to regulatory risk**
The group is exposed to regulatory risk as it is associated with the State Electricity Board. Any revision of tariff as contemplated by few State Governments in the recent past would be key rating sensitivity factor.

Liquidity Position:
Liquidity of the group is stretched marked by moderate cash accruals to repayment obligations and increasing receivables. The group reported net cash accruals (NCA) of Rs.3.16 crore in FY2019 (Provisional) as against Rs.2.86 crore in FY2018. Cash accruals are expected in the range of Rs.3.4-3.6 crore, against the debt repayment obligations of Rs.2.6 crore. Current ratio stood moderate at 1.40 times in FY2019 (Provisional) as against 1.24 times in FY2018. The group is maintaining one quarter DSRA of principal and interest repayment with bank. Acuité believes that the liquidity is expected to be stretched owing to stretch in debtors over the medium term.

Outlook: Stable
Acuité believes that RR group will maintain a 'Stable' outlook on account of the low off take risk arising due to the enforcement of the Power Purchase Agreements (PPA) and extensive experience of the management in the renewable power sector. The outlook may be revised to 'Positive' in case of higher than expected PLF leading to higher cash accruals and resolving the issue with DISCOMS at original tariff rate. Conversely, the outlook may be revised to 'Negative' in case of any significant drop in power generation levels, or any significant delay in receivables or any unplanned debt funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials (Consolidation)

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	6.08	0.33	-
EBITDA	Rs. Cr.	5.05	0.12	-0.00
PAT	Rs. Cr.	1.91	-0.01	-0.00
EBITDA Margin	(%)	83.10	35.56	-
PAT Margin	(%)	31.40	-3.21	-
ROCE	(%)	16.54	0.78	-7.58
Total Debt/Tangible Net Worth	Times	1.89	2.50	-
PBDIT/Interest	Times	2.97	1.44	-
Total Debt/PBDIT	Times	3.30	116.62	-
Gross Current Assets (Days)	Days	171	427	-

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-14.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Consolidation of companies - https://www.acuite.in/view-rating-criteria-22.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Apr-2019	Term Loan	Long Term	15.00	ACUITE D Issuer not co-operating (Downgraded)
29-Jan-2018	Term Loan	Long Term	15.00	ACUITE B/Stable (Downgraded)
07-Dec-2016	Term Loan	Long Term	15.00	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 loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE B+ / Stable (Upgraded)

Contacts

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About Acuité Ratings & Research:
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