

Press Release

Raygen Power Private Limited

October 21, 2020



Rating Upgraded & Assigned

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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.15.00 crore bank facilities of Raygen Power Private Limited. The outlook is '**Stable**'.

The upgrade in the rating reflects the stabilization in operations and improvement in financial risk profile. However, rating is constrained by the stretched working capital cycle.

About the company

Karnataka based 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 of 25 years with Chamundeshwari Electricity Supply Corporation Limited (CESCL), Mysore.

About the group

Rajpet Energy LLP (REL) established as a partnership firm in 2016 runs a solar power plant of 1.1 MW at Kolar (Karnataka). The firm has PPA agreement with Bangalore Electricity Supply Company Limited (BESCL) for 25 years.

Analytical Approach

Acuité has consolidated the business and financial risk profile of Raygen Power Private Limited (RPPL) and Rajpet Energy LLP (REL) together referred to as RR Group to arrive at the rating. The consolidation is on account of common management and same line of business. Extent of consolidation: Full

Key Rating Drivers

Strengths

- Experienced management and steady stream of revenues from PPA agreements**

RR group has signed a Power Purchase Agreement (PPA) 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. The group is promoted by Mr. Prasad Reddy and family who possess more than five years of experience in the renewable energy sector. Acuité believes that long-term PPA is expected to support in maintaining its business risk profile over the medium term.

- Improved margin**

Operating Margins for the FY2019 stood at 91.10 percent as against 83.10 percent for the FY2018. Further Operating margins for the period for FY2020 (provisional) stood at 92.16 percent.

- Healthy financial risk profile**

The financial risk profile of the group is healthy, marked by improved net worth, leveraged capital structure and healthy debt projection metrics. The net worth of the group improved to Rs.14.27 crore as on 31 March 2020 (provisional) compared to Rs.11.30 crore from last year. The gearing (debt-equity) improved to 0.83 times as on 31 March 2020 (provisional) as against 1.28 times in the previous year. The total debt of Rs.11.80 crore as on 31 March 2020 (provisional) includes long term debt of Rs.10.48 crore and unsecured loans of Rs.1.33 crore. The net cash accrual to total debt (NCA/TD) and interest coverage ratio for FY2020 (provisional) were at 0.33 times and 4.02 times, respectively.

Acuité believes that the financial risk profile is expected to remain at similar levels over the medium term.

Weaknesses

- **Susceptibility of the cash flow to the reduction in Plant Load Factor (PLF)**

Since the generation of units is dependent on the weather conditions and Photovoltaic cells, the future efficiency of the solar asset at optimal capacity and deterioration of Photovoltaic cells will be critical. Any significant shortfall in PLF will impact the revenues and cash flows of the company. The optimal utilization of the asset will be critical to the maintenance of a stable credit 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 a few State Governments in the recent past would be key rating sensitivity factor.

Liquidity position: Adequate

Liquidity of the group is adequate, marked by moderate cash accruals to repayment obligations. However, it is constrained by a stretch in debtors. The group reported net cash accruals (NCA) of Rs.3.93 crore in FY2020 (provisional) as against Rs.3.36 crore in FY2019 as against debt repayment obligation of Rs.2.62 crore. However, operations are working capital intensive due to high debtors of 322 days in FY2020 (Provisional) as against 229 days in FY2019. The current ratio stood at 2.03 times in FY2020 (Provisional) as against 1.65 times in FY2019. Acuité believes that going forward; the liquidity position of the group will continue to remain adequate in the medium term.

Rating Sensitivities

- Significant improvement in revenues while maintaining the profitability
- Any deterioration in plant load factor

Material Covenants

None

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 the deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	6.09	6.23
PAT	Rs. Cr.	2.97	2.41
PAT Margin	(%)	48.74	38.64
Total Debt/Tangible Net Worth	Times	0.83	1.28
PBDIT/Interest	Times	4.02	3.24

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

None

Any other information

None

Applicable Criteria

- Infrastructure Entities: <https://www.acuite.in/view-rating-criteria-51.htm>
- Consolidation of companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-July-2019	Term Loan	Long Term	15.00	ACUITE B+/Stable (Upgraded)
16-April-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)

*The issuer did not co-operate; based on best available information

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Sept 2016	8.80 %	Mar 2024	7.07	ACUITE BB-/Stable (Upgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.93	ACUITE BB-/Stable (Assigned)

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About Acuité Ratings & Research:

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