

Press Release

Cambria Solar Private Limited (CSPL)

07 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.15.50 Cr.
Long Term Rating	SMERA B+ / Outlook:Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the above mentioned facility of Cambria Solar Private Limited. The outlook is '**Stable**'.

Cambria Solar Private Limited (CSPL) was incorporated in August, 2016 by Mr. Deepak Ponnuswamy and Mrs. Hima Bindu. The company is a special purpose vehicle (SPV) formed for building a 3 MW AC (3.3 MW DC) solar power plant in Bellary, Karnataka, for generation of power. The company will be supplying exclusively to Bangalore Electricity Supply Company Limited (BESCOM) for 25 years at a pre-agreed price of Rs.8.40/Kwh.

Key rating drivers

Strengths

Assured off-take: CSPL has signed a power purchase agreement (PPA) with Bangalore Electricity Supply Company Limited (BESCOM) for the entire capacity at fixed tariff rate of Rs.8.40 per unit (kWh) for the next 25 years. This substantially mitigates any off-take risk associated with the projects. Further, the PPA is also secured by an unconditional, irrevocable revolving LC opened by BESCOM in favour of CSPL. BESCOM shall make payment to CSPL within 30 days from the date of receipt of bill. Any delayed payment beyond due date shall attract penal interest of 1 per cent/month on the bill amount. The company entered into an agreement in July, 2015 and commenced operations in July, 2017. However going forward, the credit risk profile of the sole off-taker for CSPL i.e. BESCOM will be a key rating sensitivity factor.

Presence of a waterfall mechanism: SMERA draws comfort from the presence of a Debt Service Reserve Account (DSRA) in the form of a fixed deposit associated with the term loans. As per the terms of the sanction, the borrower must place one quarter's interest and principal servicing requirement in the DSRA Account. The company also maintains an ESCROW account with the bank wherein all receipts from their customer shall be routed. Further, the escrow mechanism clearly lays down the order in which funds shall be utilized.

Weaknesses

Limited operational track record: The company commenced commercial operations from July 2017 and registered operating income of Rs.1.76 crore during first six months of operation.

Dependence on agro-climatic conditions: The performance of the solar plant is highly dependent on favourable climatic conditions including the solar radiation levels which have direct impact on the plant load factor (PLF). The company is presently operating at PLF of around 22 per cent.

Analytical approach:

SMERA has considered standalone business and financial risk profiles of CSPL.

Outlook – Stable

SMERA believes that CSPL will maintain a stable risk profile on account of the low offtake risk arising out of the presence of the Power Purchase Agreements (PPA) and adherence to the waterfall mechanism. The outlook may be revised to Positive in case of higher than expected infusion of funds by the promoters along with a substantial decline in operating costs. The outlook may be revised to Negative in case the company reports lower than expected revenue and profitability.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.00	-	-
EBITDA	Rs. Cr.	-0.08	-	-
PAT	Rs. Cr.	-0.08	-	-
EBITDA Margin	(%)	0.00	-	-
PAT Margin	(%)	0.00	-	-
ROCE	(%)	-0.78	-	-
Total Debt/Tangible Net Worth	Times	-271.58	-	-
PBDIT/Interest	Times	-12.45	-	-
Total Debt/PBDIT	Times	-263.13	-	-
Gross Current Assets (Days)	Days	0	-	-

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

Rating History (Upto last three years)

Not Applicable

*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	Not Applicable	Not Applicable	Not Applicable	15.50	SMERA B+/ Stable (Assigned)

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ABOUT SMERA

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