

Press Release

Tachocline Renewables Private Limited

03 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of **'SMERA BB-' (read as SMERA BB minus)** on the Rs. 12.00 crore bank facilities of Tachocline Renewables Private Limited (TRPL). The outlook is 'Stable'.

Incorporated in 2017, Tachocline Renewables Private Limited (TRPL) is a Bangalore, Karnataka based private limited company engaged in solar power generation. TRPL is promoted by Mr. Srinivas Rao Y and Mrs. Savitha A. TRPL is a special purpose vehicle (SPV) of Sagitaur Ventures India Private Limited (SVIPL) for setting up of a 3 Mega-Watt (MW) solar power project. The solar power project is at Belegere, Chitradurga, Karnataka. TRPL has commenced its operation in June 30, 2017 and have signed a power purchase agreement (PPA), at a determined tariff of Rs. 6.51/unit.

Key Rating Drivers

Strengths

Steady stream of revenue from PPA agreement

TRPL has signed a power purchase agreement (PPA) with BESCO (Bangalore Electricity Supply Co Ltd) for the entire capacity at a determined rate of Rs.6.51/unit for the next 20 years. The company entered into an agreement on 17th June, 2017 and commenced operations in 30th June, 2017. TRPL raises the invoice for the units generated and evacuated in the first week of following month, and the same is paid by BESCO in a period ranging 30-45 days. TRPL's debt protection metrics are expected to be comfortable with estimated debt-to-equity of about 1.5 times, interest coverage ratio of about 2 times and net cash accruals to total debt of about 0.10 times over the medium term backed by average plant load factor of about 22 per cent with estimated revenues of about Rs.3.7 crores.

Experienced and qualified management and support from strong player

Promoter Mr. Srinivas Rao Y has an experience of over a decade in the solar industry; he was earlier associated with Sagitaur Ventures Pvt Ltd (SVIPL) which is into development of solar parks and other IT services. SVIPL holds 74 per cent in the company, and balance is held by the land owner Ms Savitha.

SVIPL is a Karnataka based group engaged in providing services in IT/Telecom, Semiconductor, Green Energy and core infrastructure under the leadership of Mr. B.V Naidu. Currently he is also Co-Chairman of the "Karnataka ICT Group" (ICT – Information and Communication Technologies) set-up by the Chief- Minister of Karnataka to strategize the road map for the Karnataka ICT growth for 2020. SVIPL undertakes operation and maintenance of solar parks, provides land in developed solar park with required approvals and amenities. SMERA believes that TRPL enjoys the operational and financial synergies from the holding company.

Weaknesses

Susceptibility of the cash flow to the optimal capacity utilization

The PPA has been signed for determined price of Rs. 6.51/unit. The total units generated from July 2017 to March 2018 is 3.2 million units, and the company has registered revenue of Rs.2.12 crore (Provisional'18). Since the generation of units is influenced by the weather condition and technical factors like degradation of solar assets, the future efficiency of the solar asset at optimal capacity will be critical. Any significant shortfall in power generation and any inordinate delay in payments from BESCO will impact the revenues and cash flows of the company.

Outlook: Stable

SMERA believes that TRPL's business risk profile is marked by long-term power purchase agreement with BESCO, and experienced management team. The outlook may be revised to 'Positive' in case of higher-than-expected revenues on account of higher generation of units, or prepayment of debt thus improving the capital structure. Conversely, the outlook may be revised to 'Negative' in case of any inordinate delay in realization of payments from BESCO or less-than-expected power generation and cash accruals leading to stretch on its liquidity.

About the Rated Entity - Key Financials

Not Applicable

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

Not Applicable

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>

Rating History (Up to 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	12.00	SMERA BB-/Stable

Contacts:

Analytical	Rating Desk
Suman Chowdhury President –SMERA Bond Ratings Tel: 02267141107 Email: suman.chowdhury@smera.in Solaman Sunny Rating Analyst Tel: 080-46634604 Email: solaman.sunny@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.