

Press Release

Tachocline Renewables Private Limited

July 10, 2020



Rating reaffirmed

Total Bank Facilities Rated	Rs. 12.00 crore
Long Term Rating	ACUITE B+/ Stable (Reaffirmed)

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to 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 based company engaged in solar power generation. TRPL is a special purpose vehicle (SPV) of Sagitaur Ventures India Private Limited (SVIPL). The company is running a 3 mega-watt (MW) solar power plant situated at Belagere in Chitradurga district (Karnataka). It has entered into a Power Purchase Agreement (PPA) with Bangalore Electricity Supply Company (BESCOM) on 17th June 2017, for 20 years at a tariff of Rs. 6.51 per unit(kWh) and the commercial operations of the plant had started in June 2017.

Analytical Approach

Acuité has considered the standalone business and risk profile of TRPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Support from strong player**

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 the co-chairman of the "Karnataka ICT Group" (ICT – Information and Communication Technologies). He brings in 25 years of rich experience and is well networked, also proactive amongst the government-industry-academia community collaboration. SVIPL undertakes operation and maintenance of solar parks, provides land in a developed solar park with required approvals and amenities. Acuité believes that TRPL enjoys the operational and financial synergies from the holding company.

Weaknesses

- **Weak financial risk profile**

The company's financial risk profile is marked by weak net worth, high gearing and weak debt protection metrics. The net worth of the company stood at Rs.5.07 crore as on March 31, 2020(Provisional) as against Rs.5.52 crores in the previous year due to continuous losses. The gearing stood high at 2.02 times as on March 31, 2020(Provisional) as compared to 2.00 times as on March 2019. Acuité has considered unsecured loans to the tune of Rs.3.86 crores as on March 31, 2020(Provisional) as part of net worth, as these loans are subordinated to bank debt. Total debt of Rs.10.23 crores as on March 31, 2020(Provisional) consists of a long term loan of Rs.9.39 crores and current maturing obligation of Rs.0.84 crore. The company's weak debt protection metrics are marked by interest coverage ratio (ICR) of 1.31 times in FY2020(Provisional) as compared to 1.15 times in FY2019 and debt service coverage ratio (DSCR) of 0.79 times for FY2020(Provisional) as against 0.80 times for FY2019. Going forward, the financial risk profile is expected to remain the same in the medium term on account of low expected accruals in the medium term.

- **Dependence on climatic conditions and exposure to regulatory risk**

The performance of the solar plant is highly dependent on favourable climatic conditions, including the solar radiation levels, which have a direct impact on the plant load factor. The company is exposed to regulatory risk as it is associated with the government as well as private parties. Any regulatory changes in the solar power industry may affect the business of the company.

Rating Sensitivity

- Improvement in financial risk profile

Material Covenants

None

Liquidity Position: Stretched

The liquidity of TRPL is stretched marked by low cash accruals vis-à-vis repayment obligations. TRPL has reported cash accruals of Rs.0.39 crore in FY20 (Provisional) against its repayment obligation of Rs. 0.84 crore. TRPL continues to enjoy the financial flexibility from its holding entity and promoters for timely servicing of its debt. TRPL's operations are working capital intensive, which is evident from high gross current assets(GCA) of 296 days during FY2020(Provisional) compared to 240 days in FY2019. The company has not availed of a moratorium. The unencumbered cash and bank balances of the company stood at Rs.0.11 crores as on March 31, 2020 (Provisional). The current ratio stood at 1.80 times as on March 31 2020(Provisional) compared to 1.60 times as on March 2019. Acuité believes that the liquidity profile continues to be same over the medium term due to low accruals and working capital intensive operations.

Outlook: Stable

Acuité believes that TRPL will maintain a 'Stable' outlook on account of a long-term power purchase agreement with BESCOM, and extensive experience of the management. The outlook may be revised to 'Positive' in case of a significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a significant dip in power generation, further, leading to the deterioration of its liquidity and accruals.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	2.27	1.55
PAT	Rs. Cr.	(1.51)	(1.18)
PAT Margin	(%)	(66.43)	(76.40)
Total Debt/Tangible Net Worth	Times	2.00	1.82
PBDIT/Interest	Times	1.15	1.01

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

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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
07-May-2019	Term Loan	Long Term	12.00	ACUITE B+/Stable (Downgraded from ACUITE BB-/Stable)
03-May-2018	Term Loan	Long Term	12.00	ACUITE BB-/Stable (Assigned)

*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	29/09/2017	Not Applicable	29/03/2031	12.00	ACUITE B+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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