

Press Release

Tachocline Renewables Private Limited

July 07, 2021



Rating Reaffirmed & Assigned

| | |
|------------------------------------|---|
| Total Bank Facilities Rated | Rs. 14.00 crore (Enhanced from 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.14.00 crore bank facilities of Tachocline Renewables Private Limited (TRPL). The outlook is '**Stable**'.

The rating on TRPL takes into account weak financial risk profile and dependence on climatic conditions and exposure to regulatory risk. These weaknesses are however, partly offset by its strong financial and operational support from Sagitaur Ventures India Private Limited(SVIPL) .

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**

TRPL is a special purpose vehicle (SPV) of Sagitaur Ventures India Private Limited(SVIPL). 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 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 low net worth, high gearing and weak debt protection metrics. The net worth of the company stood at Rs.3.46 crore as on March 31, 2021(Provisional) as against Rs.4.65 crores in the previous year due to continuous losses. The gearing stood high at 3.31 times as on March 31, 2021(Provisional) as compared to 2.20 times as on March 2020. Acuité has considered unsecured loans to the tune of Rs.3.86 crores as on March 31, 2021(Provisional) as part of net worth, as these loans are subordinated to bank debt. Total debt of Rs.11.44 crores as on March 31, 2021(Provisional) consists of a long term loan of Rs.8.54 crores, GECL loan of Rs.2.06 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 FY2021(Provisional) as compared to 1.26 times in FY2020 and debt service coverage ratio (DSCR) of 0.77 times for FY2021(Provisional) as against 0.72 times for FY2020. The Net Cash Accruals to Total Debt stood at

0.03 times in FY2021 (Prov) as compared to 0.02 times in FY2020. 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 favorable climatic conditions including the solar radiation levels which have 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 solar power industry may affect the business of the company.

Rating Sensitivity

- Improvement in financial risk profile

Material Covenants

None

Liquidity Profile

The liquidity of TRPL is stretched marked by low cash accruals vis-à-vis repayment obligations. TRPL has reported cash accruals of Rs.0.38 crore in FY2021 (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. The company has availed covid loan of Rs.2.06 crores. The unencumbered cash and bank balances of the company stood at Rs.0.11 crores as on March 31, 2020 .The current ratio stood at 1.61 times as on March 31 2020 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.

Outlook: Stable

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

About the Rated Entity - Key Financials

| | Unit | FY20(Actual) | FY19 (Actual) |
|-------------------------------|---------|--------------|---------------|
| Operating Income | Rs. Cr. | 2.04 | 2.27 |
| PAT | Rs. Cr. | (1.52) | (1.51) |
| PAT Margin | (%) | (74.66) | (66.43) |
| Total Debt/Tangible Net Worth | Times | 2.20 | 2.00 |
| PBDIT/Interest | Times | 1.26 | 1.15 |

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 |
|--------------|---------------------------------|-----------|-----------------|---|
| 10-July-2020 | Term Loan | Long Term | 12.00 | ACUITE B+/Stable (Reaffirmed) |
| 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 | Not Available | Not Available | Not Available | 12.00 | ACUITE B+/Stable (Reaffirmed) |
| Working Capital Term Loan | Not Available | Not Available | Not Available | 2.00 | ACUITE B+/Stable (Assigned) |

Contacts

| Analytical | Rating Desk |
|---|---|
| Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212 shubham.ghosh@acuite.in | Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in |

About Acuité Ratings & Research:

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