

Press Release

Tachocline Renewables Private Limited

September 28, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.00	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	14.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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 reaffirmation of rating on TRPL takes into account their weak financial risk profile 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).

About the Company

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

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

Key Rating Drivers

Strengths

- Experienced management & support from strong player

TRPL is a special purpose vehicle (SPV) of Sagitaur Ventures India Private Limited (SVIPL). SVIPL is a Karnataka based company engaged in providing services in IT/Telecom, semiconductor, green energy, and core infrastructure. Further, SVIPL undertakes operation and maintenance of solar parks, provides land in developed solar park with required approvals and amenities. The promoter brings around three decades years of experience. Acuite believes SVIPL will continue to provide financial flexibility to TRPL.

Weaknesses

Weak financial risk profile

The company's financial risk profile is marked by relatively low net worth, high gearing, and weak debt protection metrics. Moreover, continued losses at net level have resulted in erosion of the company's net worth position. The tangible net worth of the company stood at Rs. 4.05 Cr as on March 31, 2022 (provisional). Acuité has considered unsecured loans of Rs.5.51 Cr as on March 31, 2022 (provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The gearing of the company has improved, but still stood high at 2.10 times as on March 31, 2022 (provisional), as against 7.41 times as on March 31, 2021. Further, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) also declined to 2.25 times as on March 31, 2022 (provisional) as against 7.76 times as on March 31, 2021. The moderate debt protection metrics is marked by Interest Coverage Ratio at 1.44 times as on March 31, 2022 (provisional), and Debt Service Coverage Ratio at 0.71 times as on March 31, 2022 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.05 times as on March 31, 2022 (provisional). Going forward, the financial risk profile is expected to remain similar in the medium term on account of low accruals.

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 414 days as on March 31, 2022 (provisional) as compared to 300 days on 31st March 2021. The GCA days are high on account of high debtor days. The debtor period increased sharply to 130 days as on March 31, 2022 (provisional), as compared to 39 days as on 31st March 2021 due to the delayed payment from BESCOM. Acuité believes that the working capital operations of the company will remain at similar levels as evident from the stretched collection mechanism over the medium term.

Exposure to regulatory risk

TRPL continues to be exposed to regulatory uncertainty, given that the revenues are influenced by the regulatory framework governing the power sector. Acuité believes that the change in tariff could result in cash flow mismatch in the medium term

Rating Sensitivities

- Improvement in financial risk profile
- Improvement in collection mechanism

Material covenants

None

Liquidity position: Stretched

The liquidity of TRPL is stretched on account of continued cash losses. Net cash accruals are low at Rs.0.41Cr. against long term debt repayment of Rs.0.99 Cr over the same period, However, the promoters have infused unsecured loans of Rs 5.51 Cr. as of March 31, 2022 and Acuité expects further need-based fund infusion by the promoters to ensure timely payment of debt-related obligations and other payables, should there be a requirement. Moreover, the cash and bank balances of the company stood low at only Rs.0.18 Cr as on March 31, 2022 (provisional). Further, the working capital-intensive nature of operations of the firm is marked by Gross Current Assets (GCA) of 414 days as on March 31, 2022 (provisional) as against 300 days as on March 31, 2021. However, the current ratio stood comfortable at 2.77 times as on March 31, 2022 (provisional), as compared to 1.58 times as on March 2021. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	1.89	1.98
PAT	Rs. Cr.	(0.98)	(1.28)
PAT Margin	(%)	(51.81)	(64.67)
Total Debt/Tangible Net Worth	Times	2.10	7.41
PBDIT/Interest	Times	1.44	1.29

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

None

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jul 2021	Working Capital Term Loan	Long Term	2.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE B+ Stable (Reaffirmed)
10 Jul 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	12.00	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	2.00	ACUITE B+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Abhishek Singh Analyst-Rating Operations Tel: 022-49294065 abhishek.s@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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