

## Press Release

### RJR Solar Power Project Private Limited

August 01, 2018

### Rating Assigned



|                                     |               |
|-------------------------------------|---------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 14.00 Cr. |
| <b>Long Term Rating</b>             | ACUITE D      |

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE D**' (read as **ACUITE D**) on the Rs. 14.00 crore bank facilities of RJR Solar Power Project Private Limited.

Incorporated in 2016, RJR Solar Power Project Private Limited (RSPP) owns and operates 3.3 mega-watt (MW) poly crystalline grid connected solar power plant in Tumkur district (Karnataka). RSPP is promoted by Mr. C Srinivasa Reddy. RSPP entered into a long-term power purchase agreement (PPA) with Bangalore Electricity Supply Company Limited (BESCOM) for supply of generated power at a fixed tariff of Rs.8.40 per kilo-watt-hour (kWh).

## Key Rating Drivers

### Strengths

#### • Experienced management

The management of RSPP possesses experience of over two decades in the civil construction industry involved majorly in design and construction of bridges. The same management also owns and operates two other 3.3 MW solar projects incorporated under 'Sanvi Power Private Limited' and 'Shulin Solar Power Private Limited'. The project was setup at a project cost of Rs.25.38 crore, which has been funded out of term loan of Rs.14.00 crore and rest through promoter's equity and unsecured loans of Rs.11.38 crore. The project achieved commercial operations on June 29, 2017.

#### • Assured off-take through long term power purchase agreement(PPA)

RSPP entered into a 25-year long PPA at a fixed tariff of Rs.8.40 per unit (kWh) of power supply with BESCOM. This substantially mitigates demand and price risk associated with the project. Further, the PPA is also secured by an irrevocable revolving letter of credit (LC) opened by the BESCOM in favour of RSPP for payment assurance. The contractual terms for payment are: RSPP to raise the invoice on BESCOM on or before the fifth of the succeeding month, and the payments to be made within 30 days from the bill submission date. Acuite believes that the long term PPA is expected to make the project viable over the medium term.

### Weaknesses

#### • Delay in debt servicing

The rating is constrained by delays in payment of interest and principal obligations on its term loan facilities for more than twenty days for the past three months through May, 2018. The delays in debt servicing are attributed to loss of potential revenue on account of grid connectivity issues, lack of updated departmental breakers at the sub-station where plant is located (which connects to the central supervisory control and data acquisition system - SCADA system at BESCOM), and delay in permanent interconnectivity approval (PIA); this has lead to low plant load factor of less than 10 percent resulting in poor cash flow. Further, stretch in liquidity is accentuated by delay in payments by BESCOM.

### Analytical Approach

Acuite has considered the standalone financial and business risk profiles of RSPP to arrive at this rating.

### About the Rated Entity - Key Financials

Not Applicable

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

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

### 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. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|-----------------|
| Term loans             | Not Applicable   | Not Applicable | Not Applicable | 14.00                       | ACUITE D        |

### Contacts

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|---|---|
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**About Acuité Ratings & Research:**

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