

Press Release

Shulin Solar Power Private Limited

August 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

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

Incorporated in 2016, Shulin Solar Power Private Limited (SSPL) owns and operates 3.3 mega-watt (MW) poly crystalline grid connected solar power plant in Tumkur district (Karnataka). SSPL is promoted by Mr. C Srinivasa Reddy. SSPL 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 SSPL possesses experience of over two decades in the civil construction space involved majorly in design and construction of bridges. The same management also owns and operates two other 3.3 MW solar projects- Sanvi Power Private Limited and RJR Solar Power Project 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)**

SSPL entered into a 25-year long PPA at a fixed tariff of Rs.8.40 per unit (kWh) of power supplied 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 RPPL for payment assurance. The contractual terms for payment are: SSPL 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. Acuité believes that the long term PPA is expected to make the project viable over the medium term.

Weaknesses

- **Delays 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 (and 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

Acuité has considered the standalone financial and business risk profiles of SSPL 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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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

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About Acuité Ratings & Research:

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