

Press Release

Sanvi Power Private Limited

August 01, 2018

Rating Assigned



| | |
|-------------------------------------|---------------|
| Total Bank Facilities Rated* | Rs. 13.00 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. 13.00 crore bank facilities of Sanvi Power Private Limited.

Incorporated in 2017, Sanvi Power Private Limited (SPPL) owns and operates 3.3 mega-watt (MW) poly crystalline grid connected solar power plant in Tumkur district (Karnataka). SPPL is promoted by Mr. C Srinivasa Reddy. SPPL 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 SPPL possesses experience of over two decades in the civil construction industry, majorly in design and construction of bridges. The same management also owns and operates two other 3.3 MW solar projects incorporated under the names 'RJR Solar Power Project Private Limited' and 'Shulin Solar Power Private Limited'. The total project cost is Rs.21.43 crore which has been funded by term loan of Rs.13.00 crore and rest through promoter's equity and unsecured loan from promoters of Rs.8.43 crore. The project is complete and the commercial operations have started from 21 July, 2017.

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

SPPL 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 the SPPL for payment assurance. The contractual terms for payment are: SPPL 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 SPPL 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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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 | 13.00 | ACUITE D |

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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