

Press Release

Shree Saibaba Green Power Private Limited

October 26, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.25 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 16.25 crore bank facilities of Shree Saibaba Green Power Private Limited. The outlook is '**Stable**'.

Shree Saibaba Green Power Private Limited (SGPL) is promoted by Mr. Rajeshwar Vaijanathrao Bukey and Mr. Someshwar Manohararao Patil. SGPL has an operating 5 mega-watt (MW) solar photovoltaic power plant in Latur (Maharashtra) setup under the Jawaharlal Nehru National Solar Mission (JNNSM). SGPL entered into long term Power Purchase Agreement (PPA) with NTPC Vidyut Vyapar Nigam Limited (NVNL) for a period of 25 years at a fixed tariff of Rs. 8.73 per unit. The company started its commercial operations from February 2013.

Key Rating Drivers

Strengths

• Low counterparty risk

SGPL has signed a PPA with NTPC Vidyut Vyapar Nigam Limited (NVNL) for a period of 25 years at a fixed tariff of Rs. 8.73 per unit. This substantially mitigates the revenue risk associated with the project and provides strong revenue and cash flow visibility. Further, the PPA is also secured by an unconditional, irrevocable revolving LC opened by the NVNL in favour of SGPL. NVNL shall make payment to SGPL within 30 days from the date of receipt of bill. Any delayed payment beyond 30 days of the due date shall attract late payment surcharge of 1.25 per cent/month on the outstanding bill amount. Acuite believes that the long term PPA is expected to make the project viable over the medium term.

• Presence of a waterfall mechanism

The team draws comfort from the presence of a Debt Service Reserve Account (DSRA) in the form of a fixed deposit associated with the term loans. As per the terms of the sanction, the borrower must place one quarter's interest and principal servicing requirement in the DSRA Account. The company also maintains an escrow account with the bank wherein all receipts from the Discoms shall be routed. Further, the escrow mechanism clearly lays down the order in which funds shall be utilized.

Weaknesses

• Average financial risk profile constrained by tightly matched cash accruals

The financial risk profile of the company is marked by moderate net worth and gearing (debt -to-equity) levels though underpinned by modest debt protection metrics. Net worth stood at Rs.22.38 crore as on March 31, 2018 (provisional) as compared to Rs.20.53 crore as on March 31, 2017. The gearing has improved from 1.15 times as on March 31, 2017 to 0.89 times as on March 31, 2018 (provisional) due to accretion to reserves. The company has long term debt of Rs.19.99 crore as on March 31, 2018 (provisional). The net cash accruals in FY2018 (provisional) of about Rs.3.58 crore against repayment obligations of about Rs.4.57 crore keep the debt service coverage ratio at 0.87 times keeping the liquidity tight; however repayments of the term loan are secured through escrow mechanism and debt service reserve account (DSRA). Coverage indicators such as Interest

Coverage Ratio (ICR) improved to 2.48 times as on March 31, 2018 (provisional) as compared to 1.96 times as on March 31, 2017. Acuite believes that with regular revenue stream and term loan repayments, the financial risk profile is expected to improve over the medium term.

• Dependence on agro-climatic conditions

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 (PLF). The company is presently operating at PLF of around 19 per cent and the same is a key rating sensitivity factor.

Analytical Approach

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

Outlook: Stable

Acuite believes that SGPL will maintain a stable risk profile on account of the low off take risk arising out of the presence of the due enforcement of the Power Purchase Agreements (PPA) and adherence to the waterfall mechanism. The outlook may be revised to 'Positive' in case of higher than expected cash accruals or early repayment of term loans out of equity infusion. The outlook may be revised to 'Negative' in case the company reports lower than expected revenue and profitability exerting pressure on the accruals and loan repayment.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.85	7.74	7.99
EBITDA	Rs. Cr.	7.23	6.83	7.14
PAT	Rs. Cr.	1.86	1.23	1.51
EBITDA Margin	(%)	92.08	88.15	89.34
PAT Margin	(%)	23.62	15.94	18.88
ROCE	(%)	12.13	11.21	12.45
Total Debt/Tangible Net Worth	Times	0.89	1.15	1.41
PBDIT/Interest	Times	2.48	1.96	1.99
Total Debt/PBDIT	Times	2.75	3.38	3.68
Gross Current Assets (Days)	Days	402	410	353

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	16.25	ACUITE B+ / Stable

Contacts

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