

Press Release

Tirunveli Solar Project Private Limited

September 07, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 143.00 Cr.
Long Term Rating	ACUITE BBB- (CE)/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB- (CE)**' (**read as ACUITE triple B minus (Credit Enhancement)**) on the Rs. 143.00 crore bank facilities of Tirunveli Solar Project Private Limited (TSPPL). The outlook is '**Stable**'.

TSPPL incorporated in 2017 has set up a 100MW Solar PV project at Tuticorin district in Tamil Nadu. TSPPL is a Special Purpose Vehicle (SPV) of Rays Power Infra Private Limited (RPIPL) and Shining Sun Power Private Limited (SSPPL). RPIPL and SSPPL hold 51 percent and 49 percent respectively in TSPPL. The EPC work for the project was done by RPIPL and the company achieved COD in January, 2020 for the entire capacity. The company has a Power Purchase Agreement (PPA) with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) for a total of 100 MW capacity.

Unsupported (Standalone) Rating: ACUITE BB+/Stable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of TSPPL and has factored credit enhancement in the form of corporate guarantee from RPIPL to arrive at the rating.

Key Rating Drivers

Strengths

- Low offtake risk due to the presence of long term Power Purchase Agreement (PPA) with TANGEDCO**

TSPPL has set up a 100MW Solar PV project at Tuticorin district in Tamil Nadu. TSPPL is an SPV of Rays Power Infra Private Limited (RPIPL) & Shining Sun Power Private Limited (SSPPL). RPIPL and SSPPL hold 51 percent and 49 percent stake respectively in TSPPL. The company has entered into a PPA with TANGEDCO for the entire supply of a total of 100.00 MW solar power energy at the fixed tariff of Rs.3.42/KWh for Thenampatty plant for the period of 25 years. The company achieved an average capacity utilization factor (CUF) of ~17.40 percent for the five month period ended June 2020. The presence of a long term fixed tariff agreement, thus, mitigates the offtake risk and provides long term revenue visibility.

Acuité believes that the company will continue to benefit over medium to long term owing to steady revenue under PPA agreement.

- Long track record of the promoters and the parent company in the industry**

TSPPL is a Special Purpose Vehicle (SPV) of RPIPL and SSPPL. RPIPL is a Jaipur based solar EPC contractor incorporated in 2011. It is promoted by Mr. Ketan Mehta and Mr. Pawan Kumar Sharma both of whom graduated from IIT. It undertakes design, consultancy, turnkey EPC, Balance-of-System (BoS) and Operations and Maintenance (O&M) services for solar projects. RPIPL has executed ~500MW solar projects to date, as an EPC Contractor. Apart from this, RPIPL has an operational portfolio of 54 MW solar power projects on an IPP basis. The key clientele of RPIPL includes Greenko, EDF, Hillard, Emami, Essel Infra, SAIL, Haldiram, and Canadian Solar amongst others. Besides being the holding company and EPC contractor, RPIPL will also be providing O&M services to the 100MW Solar PV Project of TSPPL.

Acuité believes that the TSPPL's promoter's established presence in the solar power sector will continue to support its business risk profile over near to medium term.

Weaknesses

• Nascent Stage of operations

TSPPL achieved COD on January 29, 2020 and the company has been in operations since. The company has a very limited track record of operations of six months till July 2020. Further, this has been under adverse economic conditions due to disruptions from COVID -19 pandemic. TSPPL has been operating at an average capacity utilization factor (CUF) of ~17.40 per cent. It has raised bills to TANGEDCO for the five months and payment against it is expected in August 2020. TSSPL still has to achieve stabilization of operations and receivable cycle.

Acuité believes average CUF achieved and receivable position for a first full year of operation will be a key rating sensitivity.

• Susceptibility to regulatory risk, changes in the credit profile of TANGEDCO and operating performance to technology risk

The company is exposed to regulatory risks associated with tariff rates and changes in government policies for solar plants. Further, any change in terms of PPA due to events such as the renegotiation of rates by TANGEDCO will have an impact on the profitability and debt servicing metrics of the company. Secondly, TSPPL is exposed to changes in the credit profile of TANGEDCO as TSPPL has entered into a PPA with TANGEDCO for 25 long years. Any sharp decline in the credit profile of TANGEDCO could impact its ability to meet the operational or financial commitments, which in turn could impact the cash flows of players like TSPPL. Hence, any major change in the credit profile of TANGEDCO will remain the key rating sensitivity. Further, the solar radiation levels in the plant location and degradation of PV modules impacts the power generation ability of the plant. In the event of faster than expected degradation, the generation of power could be impacted, thus affecting the revenues and cash flows of TSPPL.

Liquidity Position: Adequate

TSPPL is supported by the promoter's ability for repayment of debt that has been reflected in the infusion of funds to service debt obligations. The TSPPL has availed moratorium on debt obligations from March 2020 till August, 2020. Repayment will commence from September 2020. The company is also supported by way of optionally convertible debentures infused in the company through promoter and promoter group companies. Acuité expects the liquidity profile to remain adequate on account of funding support from promoters and stabilization of its own operations.

Rating Sensitivities

- Timely stabilization of operating performance
- Higher than expected elongation in debtor position

Material Covenants

Total Debt/ Net Worth shall not exceed 2.75 times

DSCR to be maintained ≥ 1.15 times

Assessment of Adequacy of Credit Environment

Acuité has conducted sensitivity on the operating performance of RPIPL and has found that even in the stress scenarios, the credit enhancement is likely to remain adequate.

Outlook: Stable

Acuité believes TSPPL will maintain 'Stable' business risk profile in the medium term on the back of established support from promoter and promoter group companies. The outlook may be revised to 'Positive' in case of timely stabilization in operations and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of stretch in debtor position or slower than expected stabilization of its operations.

About the Rated Entity – Key Financials

	Unit	FY20 (Provisional)	FY2019
Operating Income	Rs. Cr.	5.49	NA
Profit after Tax (PAT)	Rs. Cr.	(1.50)	NA
PAT Margin	(%)	(27.25)	NA

Total Debt/Tangible Net Worth	Times	NA	NA
PBDIT/Interest	Times	NA	NA

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Criteria For Explicit Credit Enhancement (CE) - <https://www.acuite.in/view-rating-criteria-49.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

None

***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 Loan	Not Available	Not Applicable	Not Available	143.00	ACUITE BBB- (CE)/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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