

Press Release

Tirunveli Solar Project Private Limited

May 07, 2021

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 294.00 Cr (Enhanced From Rs. 143.00 Cr.)
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed and assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 294.00 crore bank facilities of Tirunveli Solar Project Private Limited (TSPPL). The outlook is '**Stable**'.

The rating takes into account the extensive experience of the management and the Group in the solar power industry. The rating also draws comfort from the availability of long term PPA with TANGEDCO for complete offtake of the capacity. The rating is constrained by the limited track record of operations and TSPPL's susceptibility to TANGEDCO's financial position. TSPPL's ability to maintain its CUF and receivable position will remain key rating sensitivities.

About the Company

TSPPL incorporated in 2017 has set up a 100MW Solar PV project at Tuticorin district in Tamil Nadu by Mr. Mayank Sharma. 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 total of 100 MW capacity.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of TSPPL and has factored support in the form of corporate guarantee from RPIPL to arrive at the rating. The analytical approach has been revised from a Credit Enhancement (CE) to a standalone rating with a notch up based on support from the key stakeholders. This is done to bring the approach in line with Acuite's revised rating criteria regarding credit enhancements.

Key Rating Drivers

Strengths

- **Low offtake risk due to 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 a 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 total of 100.00 MW solar power energy at the fixed tariff of Rs.3.47/KWh for Thenampatty plant for the period of 25 years. The company achieved average capacity utilization factor (CUF) of ~16 percent for the FY2021. The presence of a long term fixed tariff agreement, thus, mitigates the offtake risk and provides long term revenue visibility.

Acuite 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 till 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 include 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.

Acuite 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 limited track record of operations of just over one year as on April 2021. Further, this has been under adverse economic conditions due to disruptions from COVID-19 pandemic in the initial part of FY2021. TSPPL has been achieved an average capacity utilization factor (CUF) of ~16 per cent. It has started selling to TANGEDCO under the PPA. After initial delay in receivables from TANGEDCO on account of the lockdowns related to the COVID 19 pandemic the receivable period is now around 6 months. It stood at 159 days in FY2021 (Provisional).

Acuite believes TSPPL's ability to maintain CUF achieved and receivable position will be a key rating sensitivity going forward.

• 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 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's repayment obligations are expected to be in the range of Rs. 10 – 12 crore from FY2022-FY2024 against that the company is expected generate net cash accruals in the range of Rs. 19-20 crore for the same period. Company's working capital cycle is expected to be elongated on account of higher receivable days. A support can also be expected from its Group entity under the corporate guarantee. Therefore TSPPL's liquidity profile is expected to be adequate over the medium term on back of its adequate net cash accruals and support from the Group.

Rating Sensitivities

- Ability to maintain capacity utilization factor at 16-17 percent
- Ability to maintain receivable position without significant elongation

Material Covenants

Total Debt/ Net Worth shall not exceed 2.75 times
DSCR to be maintained ≥ 1.15 times

Outlook: Stable

Acuite believes TSPPL will maintain 'Stable' business risk profile in the medium term on the back of established support from promoter and promoter group companies and availability of long term PPA. The outlook may be revised to 'Positive' in case of higher than expected CUF achievement. Conversely, the outlook may be revised to 'Negative' in case of elongation in debtor position leading to deterioration in liquidity profile.

About the Rated Entity – Key Financials

	Unit	FY2021 (Provisional)	FY2020 (Actual)
Operating Income	Rs. Cr.	41.96	4.25
Profit after Tax (PAT)	Rs. Cr.	1.48	(0.38)
PAT Margin	(%)	3.53	(9.04)
Total Debt/Tangible Net Worth	Times	2.44	1.73
PBDIT/Interest	Times	1.56	1.34

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 Group And Parent Support – <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Sep-2020	Term Loan	Long Term	143.00	ACUITE BBB-/ Stable (CE) (Assigned)

*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-/Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	6.03	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Available	Not Applicable	Not Available	140.00	ACUITE BBB-/Stable (Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	4.97	ACUITE BBB-/Stable (Assigned)

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