



Press Release
Enersan Power Private Limited
September 06, 2022
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.00	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	43.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.43.00 crore bank facilities of Enersan Power Private Limited (EPPL).

Rationale for rating downgrade

The rating downgrade of EPPL takes into account the irregularities by the company in servicing of its debt obligations as per interaction with the lenders and classification of the account as Special Mention Account (SMA) as per information available in the credit bureau report. Confirmation of curing of default as per Acuite's default recognition criteria will remain a key rating sensitivity.

About the Company

Enersan Power Private Limited (EPPL) is a Gujarat based private limited company incorporated in May 2013. The company is engaged in operating a 10 megawatt (MW) solar power plant in the Kutch, Gujarat. In March 2014, EPPL entered into a PPA for entire power produced for 25 years with SECI. Solar power plant commenced its operations from September 2015. The company is promoted by Iron Triangle Limited (ITL) (erstwhile Backbone Enterprises Ltd.) which holds 34.00 percent stake, directors Mr. Balvantbhai Bavariya and Mr. Dipak Sangani.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of the company to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters with an established track record of operations

The promoters of EPPL include Iron Triangle Limited (erstwhile Backbone Enterprises Ltd. holds ~34 percent stake), is an established player in the solar and civil infrastructure construction industry. Apart from EPPL, ITL also owns and operates three other solar power plants with a combined installed capacity of 25 Mega Watt (MW), located in EPPL's vicinity. The directors also possess two decades of experience in solar and civil infrastructure construction industry. The company is well supported by the second line of management. EPPL's solar power plant commenced generation from September 2015 and has an

operational track record of around five years. However, generation from the plant has remained moderate over the past years.

Acuite derives comfort from its promoter's experience in the solar industry and an established operational track record.

Weaknesses

Delays in servicing of debt obligations

There are irregularities by EPPL in servicing of its debt obligations as per interaction with the lenders and classification of the account as Special Mention Account (SMA) as per information available in the credit bureau report.

Average Financial risk profile

The financial risk profile of EPPL stood average marked by average net worth, moderate coverage metrics and average gearing. The net worth of the company stood negative at Rs.4.31 crore as on 31 March 2021 (Provisional) as against Rs.4.52 crore as on 31 March 2020 and Rs.1.10 crore in FY2019. The company has followed a moderately aggressive financial policy in the past, with its peak gearing stood at around 51.06 times as on March 31, 2019. Total debt of the company stood at Rs. 51.94 crore as on 31 March, 2021 (Provisional) is the long term debt of Rs.42.56 crore and unsecured loans from directors and promoters of around Rs 9.37 crore. Coverage metrics stood moderate marked by interest coverage ratio (ICR) of 2.28 times in FY2021 (Provisional) as against 0.83 times in FY2020. Debt Service Coverage ratio stands at 1.46 times in FY2021 as against 0.46 times in FY2020.

Exposure to regulatory risk and dependence on climatic conditions, technological risks

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 SECI will have an impact on the profitability and debt servicing metrics. Also, EPPL's solar power plant remains vulnerable to changes in climatic conditions and degradation in modules. The poly crystalline film technology used in its power plant is used by most of the domestic solar power producers; however, it has a relatively short track record of operations under Indian conditions, albeit a long track record of operations globally; thus exposing EPPL to technological risks. However, the risk is mitigated to a certain extent as the company has made necessary changes in last year and improvement in CUF is visible.

Rating Sensitivities

- Confirmation of curing of default as per Acuite default recognition criteria.

Material covenants

None

Liquidity position - Poor

EPPL has poor liquidity profile marked by irregularities in servicing of debt obligations.

Outlook

Not applicable

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	10.50	8.47
PAT	Rs. Cr.	0.22	(5.62)
PAT Margin	(%)	2.06	(66.36)
Total Debt/Tangible Net Worth	Times	(12.06)	(12.25)
PBDIT/Interest	Times	2.28	0.83

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

Care Ratings vide its press release dated 30, August 2022 has reaffirmed rating to 'CARE D; Issuer Not Cooperating' on basis of information risk.

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2021	Proposed Bank Facility	Long Term	3.56	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Term Loan	Long Term	10.44	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Term Loan	Long Term	29.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
06 Oct 2020	Term Loan	Long Term	11.40	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	31.60	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.56	ACUITE D Downgraded (from ACUITE BB-)
Exim Bank	Not Applicable	Term Loan	Not available	Not available	Not available	29.00	ACUITE D Downgraded (from ACUITE BB-)
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	10.44	ACUITE D Downgraded (from ACUITE BB-)

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About Acuité Ratings & Research

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