



Press Release
Sai Maithili Power Company Private Limited
February 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.02	ACUITE BBB- Negative Reaffirmed Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	65.02	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple 'B minus'**) on Rs 65.02 Cr bank facilities of Sai Maithili Power Company Private Ltd (SMPCPL). The outlook is revised to '**Negative**' from '**Stable**'.

Rationale for the rating and revision in outlook:

The revision in rating outlook takes into account low PLF recorded in 9MFY2024, leading to lower-than-expected revenues and profitability.

The reaffirmation in ratings take into account the established market presence of the Reflex group in the Renewable energy sector, the extensive experience of the management and the, expected support in business operations to be derived from them, presence of a long term (25 years) power purchase agreement (PPA) with a strong counter party, NTPC Vidyut Vyapar Nigam Limited (NVVN) for its 10 megawatt -MW power plant based in Rajasthan and the structured payment mechanism.

The rating strengths are partly offset by high geographical and customer concentration in the revenue profile, susceptibility of power generation to climate risk.

About the Company

Established in August, 2002, Sai Maithili Power Company Private Limited (SMPCPL) operates a 10 mega-watt (MW) solar power plant based on Photo Voltaic technology located at Gurha in Kolayat Tehsil, Bikaner District, State Rajasthan. SMPCPL is promoted by V S Lignite Power Private Limited (majority shareholder), currently part of Reflex Group. The Board of Directors consists of Mr. Shishir Kalkonde and Mr. Navaluru Venkata Sreenivas.

Unsupported Rating

Not applicable

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and assured off-take through long term power purchase agreement (PPA)

The Refex group is involved in business of Refrigerant Gases, Renewable Energy Utility Grade EPC projects, O&M of Solar Power Plants, Solar IPP businesses & Ash Disposal Management, Power Trading and Trading of Coal. Refex group has commissioned ~1 GW projects under differing conditions of Tamil Nadu, Maharashtra, Gujarat, Uttar Pradesh, Andhra Pradesh and Rajasthan. The group has a strong pipeline of ~250 MW+ under various stages of execution. Refex Group follows conservative approach towards its capital management and manages the operations majorly through equity and internal accruals. SMPCPL entered into a 25-year long PPA at a fixed tariff of Rs.8.28 per unit (kWh) of power supplied, with NTPC Vidyut Vyapar Nigam Limited (NVVN). This substantially mitigates demand and price risk associated with the project. The company entered into an agreement in January, 2012 and the plant commenced its operations in February, 2013. Further, the PPA is also secured by an irrevocable revolving letter of credit (LC) opened by the NVVN in favour of the SMPCPL for payment assurance. SMPCPL raises invoice on NVVN on or before the fifth of the succeeding month, and the payments are to be received within 30 days from the bill submission date. The Refex group is expected to manage the O&M activity of the solar plant and will ensure efficient cost structure to aid the financial risk profile of the company. Acuité believes that the presence of strong management, assured off-take, long-term PPA and moderate counterparty receivable risk keeps the business risk profile moderate and stable over the medium term.

- **Strong counter-party profile**

SMPCPL has entered into a 25 year long PPA at a fixed tariff of Rs. 8.28 per unit with NTPC Vidyut Vyapar Nigam Limited (NVVN). NTPC Vidyut Vyapar Nigam Ltd. (NVVN) was formed by NTPC Ltd in the year 2002, as its wholly owned subsidiary to tap the potential of power trading in the country. NVVN holds a highest Category 'I' power trading license as per latest CERC regulation. NVVN is also the nodal agency for sale of 1,000 MW (733-MW operational) solar bundled power under Jawaharlal Nehru National Solar Mission (JNNSM) Phase I. The company has strong payment track record from its counterparty-NVVN, thereby, leading to low counterparty risk. NVVN has been making all the payments within a week's time from submission of invoice, and availing prompt payment discount of 2 percent. Acuité believes that the presence of strong counterparty profile mitigates the receivable risk keeps the business risk profile moderate and stable over the medium term.

- **Presence of structured payment mechanism**

The bank facilities availed by SMPCPL are backed by a Debt Service Reserve Account (DSRA) in the form of a fixed deposit worth 2.55 Cr. In addition, the bank facilities are supported by a Escrow account through which all receipts from NVVN shall be routed. The order regarding the manner in which funds shall be utilized has been clearly laid down by the lender. Further, there is presence of cash sweep clause which allows the lender to utilize the surplus amount in the escrow account towards the prepayment of the debt undertaken by the company. Acuité believes that the lender derives comfort from the structure envisaged to ensure timely repayment of the bank facilities over the medium term.

Weaknesses

- **Susceptibility of operating performance to climatic risks**

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 entire capacity is already commissioned and the project has an operational track record of more than 12 years. Revenue for the 6MFY2024 stood at Rs. 4.82 Cr, whereas revenue for the FY2023 stood at Rs. 12.42 Cr compared to Rs. 12.87 Cr in FY2022. Average PLF stood at 17.91 percent in FY2023 and the average PLF for 9MFY2024 was 14.45 percent, the deterioration in the PLF is mainly due to natural calamity which was occurred in the month of May and June 23 i.e, unexpected wind storm in the Bikaner region, SMPCPL suffered a huge damage of Solar panels, structures, transmission towers

etc., resulting into stoppage of power plant continuously for a period of 25 days. Following that, the plant started up again, albeit at a lower capacity and by the final week of February 2024, it will be operating at full capacity. PLF is anticipated to improve from FY2025, with the expectation that operations will fully recover from FY2025.

- **High customer concentration and geographical concentration in revenue profile**

SMPCPL has entered into the PPA agreement for sale of power generated from the 10 MW solar plant located in Rajasthan with NTPC Vidyut Vyapar Nigam Ltd. (NVVN) along with 100% per cent assured offtake. However, it can be observed that the contribution from a single customer (i.e. NVVN) is 100.00 per cent in a given financial year, thereby, leading to significant customer and geographical concentration risk. Above risk is mitigated to an extent on account of strong credit profile of the counterparty.

ESG Factors Relevant for Rating

SMPCPL is a renewable power producer based on solar photo voltaic technology and therefore, directly contributes to the reduction of carbon emissions. The other material factors from the environmental perspective are green supply chain and waste management. The governance factors that play an important role are ethical business practices, board oversight and management compensation. Further, risk management practices to minimise corruption associated with electricity and gas distribution plays a crucial role. Additionally, regulatory compliance, shareholder's rights and audit control are other material issues in the power generation industry. On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The policies on responsible procurement and product safety as well as quality are of utmost significance.

Rating Sensitivities

Positive

- Substantial improvement in PLF while maintaining profitability margins over the medium term
- Sustainable improvement in Leverage and Solvency position of the company

Negative

- Significant deterioration in the operating performance of the plant leading to lower than expected PLF.
- Delays in receivables from the NVVN, leading to a deterioration in working capital cycle and liquidity profile of the company

Liquidity Position: Adequate

SMPCPL's liquidity is Adequate marked by moderate generation of net cash accruals its maturing debt obligations. The company generated cash accruals of Rs.4.73 Cr in FY2023 on against its maturing debt obligations of Rs.3.60 Cr. The liquidity position of the company is adequate also on account of presence of secured payment mechanism with Trust and retention account to monitor the cash flows generated from the projects, presence of waterfall mechanism, presence of 3-month Debt Service Reserve Account (DSRA) in the form of a fixed deposit for interest and principal repayment obligation coupled with moderate DSCR expected until FY2032. In current year FY2024, VSLP (VS Lignite Power Private Limited) holding company has infused funds in the form of deposits amounting to Rs.3.80 Cr to bridge the gap to meet shortfall in debt obligations .Financial support from promoters and VSLP by way of fund infusion provides some comfort to liquidity profile. Acuité believes that the liquidity of the company is likely to improve over the medium term on account of stable plant operating metric, support from management and timely repayment of debt obligation resulting in reduction in interest obligation. However, timely collection of payment from NVVN

and company's ability to sustain the plant operating performance at favorable level will be key monitorables over the medium term for the assessment of liquidity position of the company.

Outlook: Negative

Acuité believes that the outlook on SMPCPL will remain 'Negative' on account of lower PLF, leading to lower-than-expected revenues and profitability. The rating may be 'downgraded' if there is higher than expected decline in PLF resulting in lower power generation and further deterioration in revenues and profitability. The outlook may be revised to 'Stable' if in case of sustainable improvement in PLF resulting in higher power generation, or prepayment of debt leading to higher-than-expected revenues and profitability with improvement in financial risk profile and capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	12.42	12.87
PAT	Rs. Cr.	0.87	(20.56)
PAT Margin	(%)	6.97	(159.68)
Total Debt/Tangible Net Worth	Times	8.96	11.23
PBDIT/Interest	Times	1.84	(1.32)

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Dec 2022	Term Loan	Long Term	56.52	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.02	ACUITE BBB- Stable (Assigned)
	Non Convertible Debentures	Long Term	5.61	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	3.60	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	0.50	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.38	ACUITE BBB- Stable (Assigned)
06 Dec 2021	Term Loan	Long Term	56.52	ACUITE BBB- Stable (Assigned)
	Non Convertible Debentures	Long Term	5.61	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.38	ACUITE BBB- Negative Reaffirmed Stable to Negative
HDFC Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE BBB- Negative Reaffirmed Stable to Negative
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2033	Simple	60.54	ACUITE BBB- Negative Reaffirmed Stable to Negative
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2033	Simple	3.60	ACUITE BBB- Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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