

Press Release

SVARYU ENERGY LIMITED (ERSTWHILE REFEX ENERGY LIMITED) - ALPHA YIELD

May 06, 2024



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Pass Through Certificates (PTCs)	15.00	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) to the Pass-Through Certificates (PTCs) of Rs. 15.00 Cr. issued by ALPHA YIELD 023 (Trust) under a securitisation transaction originated by SVARYU ENERGY LIMITED (ERSTWHILE REFEX ENERGY LIMITED) (The Originator).

Rationale for the downgrade:

Acuite notes the default in payment of interest and repayment of Principal which was due on 30th April 2024 for ALPHA YIELD 023 Trust (Securitized Debt Instrument) by SVARYU ENERGY LIMITED as intimated by the trustee.

Acuite would also like to bring to notice a very important observation of non-creation of Cash Collateral as per the Final Term sheet about which the Trustee and originator failed to inform Acuite Ratings. This has resulted in the non-existence of the Credit Enhancement structure with regards to the DSRA mechanism, i.e. Rs 1.5 Cr in the form of FD (10.00 percent of the total value of PTCs) which was not created.

These PTCs are backed by O&M receivables from NLC India Limited aggregating around Rs 40.27 Cr. for a tenure of 4 years out of original contract period of 15 years. The receivables are from two contracts entered between Svaryu Energy Limited and NLC India Limited (Acuite AAA) wherein the former will be providing O&M services for the solar plant.

As per the final term sheet the credit enhancement was available in the form of:

1. Cash collateral in the form of fixed deposit equivalent to 10.00 percent of the total value of PTCs to be issued.
2. Surplus cashflows in the form of receivables to the tune of 112.00 percent of the total dues including principal and interest to the PTC holders.

About the Originator

Svaryu Energy Ltd (formerly known as Refex Energy Ltd) was incorporated in 2008 and is engaged into the turnkey solutions for Solar Photo Voltaic Power plants (EPC) and also provides O&M services for these power plants. SEL has obtained Power Trade (Category I trading inter-state electricity trading) license from CERC to Exchange Energy with various DESCOMs and Energy Producers & Aggregators. Mr. Arun Sumer Mehta, Mr. Rajeev Kumar Sharma, Mr. Bhaskar Devadasan Nair, Ms. Meghna Mahendra Savla and Mr. Santosh Ganpat Ambekar are the directors of the company.

About the obligor

Incorporated in November 1956, NLC India Limited (NLC; erstwhile Neyveli Lignite Corporation Limited), is an integrated power company having captive lignite and coalmines and a

consolidated generation capacity of 6,061 MW. The company was awarded the 'Navratna' status in the year 2011, and it acts as a Nodal Agency for lignite mining appointed by the Ministry of Coal (MoC), with majority market share in lignite mining in the country. NLCIL serves as an important source of power generation to the states of Tamil Nadu, Andhra Pradesh, Karnataka, Kerala, Telangana, Rajasthan, and Union Territory of Puducherry. It operates four open cast lignite mines with current capacity of 30.1 MTPA, namely Mine I, Mine IA, Mine II and Barsingsar Mine. It also operates an open cast coalmine, Talabira II & III having current capacity of 20.0 MTPA. NLC has lignite thermal power generation capacity of 3640 MW, with 4 pithead power plants at Neyveli, Tamil Nadu, 1 pithead power plant at Barsingsar, Rajasthan and a 1000 MW coal plant through JV (NTPL) in Tamil Nadu. The company also has solar energy capacity of 1370 MW and wind energy capacity of 51 MW. NLC operates on a cost-plus basis with electricity tariff determined by CERC and also the lignite transfer price is determined by CERC.

Assessment of the pool

The receivables are not in the form of a pool. Hence, this section remains not applicable.

Credit Enhancements (CE)

As per the final term sheet the credit enhancement is available in the form of:

1. Cash collateral in the form of fixed deposit equivalent to 10.00 percent of the total value of PTCs to be issued.
2. Surplus cashflows in the form of receivables to the tune of 112.00 percent of the total dues including principal and interest to the PTC holders.

Legal Assessment

The final rating is assigned based on the fulfilment of the structure, terms and covenants detailed in the executed trust deed, servicing agreement, legal opinion, assignment agreement and other documents relevant to the transaction.

Key Risks

Counterparty Risks

The payments to the PTC holders arise from receivables due through a single obligor. The counterparty risks in the transaction remain partly mitigated by the strong credit risk profile of NLC India Limited (ACUTE AAA).

Concentration Risks

The rating remains exposed to high concentration risks as the receivables i.e cashflow source are from a single obligor.

Servicing Risk

There is limited track record of servicing PTCs, since this one of the initial PTC transactions for the originator. Therefore, the servicing risk for the transaction remains high. The continuous and satisfactory performance of servicing the O&M contracts will remain a key rating monitorable. Any event which impinges the ability of the originator to service NLC India Limited (obligor) as per the contractual terms, shall also remain a key rating sensitivity.

Regulatory Risk

In the event of a regulatory stipulation impacting the bankruptcy remoteness of the structure, the payouts to the PTC holders may be impacted.

Prepayment Risk

Not applicable

Commingling Risk

While there is a time gap between the expected payout date and the due date for transfer to the payout account, this risk is mitigated by the existence of the trust with a designated escrow account overseen by the trustee.

Key Rating sensitivity

- Continuous and satisfactory performance of servicing the O&M contracts with NLC India Limited; this to be verified by an intimation from NLC India Limited on quarterly basis
- Any event which impinges the ability of the originator to service NLC India Limited (obligor) as per the contractual terms; these events include but not limited to bankruptcy of originator; delay/defaults in servicing its financial creditors, etc.
- Any upward or downward movement in the overall credit profile of NLC India Limited
- Timeliness of the payouts made to the PTC holders
- Utilization of cash collateral

All Covenants (Applicable only for CE & SO Ratings)

The following covenant is included in the transaction structure: On any given month during the tenure of the PTC, if the funds in the escrow account are insufficient to cover the interest and principal repayment to investors for any reason whatsoever, Svaryu will have an equal obligation to cover the difference and add such funds 10 days prior the PTC monthly distribution date. In case of any delay in repayment to PTC Holders, Svaryu will be liable to additionally pay an 18% p.a. delay penalty on the prorated number of days of delay.

Liquidity Position

Poor

The liquidity position in the transaction is poor due to non-existence of the Credit Enhancement structure with regards to the DSRA mechanism, i.e. Rs 1.5 Cr in the form of FD (10.00 percent of the total value of PTCs) which was not created.

Outlook

Not Applicable

Key Financials – NLC India Limited

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Operating Income	Rs. Cr.	17383.22	12589.72
PAT	Rs. Cr.	1425.13	1115.13
PAT Margin	(%)	8.20	8.86
Total Debt/Tangible Net Worth	Times	1.28	1.36
PBDIT/Interest	Times	4.81	3.21

Key Financials - SVARYU ENERGY LIMITED (ERSTWHILE REFEX ENERGY LIMITED)

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Operating Income	Rs. Cr.	322.12	308.94
PAT	Rs. Cr.	7.58	7.19
PAT Margin	(%)	2.35	2.33
Total Debt/Tangible Net Worth	Times	0.63	0.21
PBDIT/Interest	Times	4.31	4.79

Any other information

None

Status of disclosure of all relevant information about the Obligation being Rated
Non-public information

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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.

Applicable Criteria

- 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>
- Securitized Transactions: <https://www.acuite.in/view-rating-criteria-48.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Dec 2023	Pass Through Certificate	Long Term	15.00	ACUITE A (SO) (Reaffirmed)
28 Nov 2023	Pass Through Certificate	Long Term	15.00	ACUITE A (SO) (Assigned)
01 Nov 2023	Pass Through Certificate	Long Term	15.00	ACUITE Provisional A (SO) (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.	Pass Through Certificate	16 Nov 2023	12.50	23 Nov 2027	Highly Complex	15.00	ACUITE D Downgraded (from ACUITE A SO)

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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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