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PRESS RELEASE

Increased counterparty risk from Telangana DISCOMs, outlook on eleven solar generators revised to negative; two downgraded

CARE Ratings has revised its rating outlook to negative on borrowing programmes of eleven solar power generators selling electricity to distribution companies (DISCOMs) in Telangana. Aggregate installed capacity of these generators is 574 MW. CARE Ratings has also downgraded the ratings on borrowing programmes of two solar power generators who have installed capacity of 80 MW and sell electricity to DISCOMs in the state of Telangana. Revision in outlook and ratings reflects increased counterparty risk and weakening in the liquidity position of these generators owing to significant delays in the receipt of payments from the off-takers i.e. Telangana DISCOMs. Off-taker risk, stemming from delays in payments by DISCOMs has been a major rating weakness for solar power generators exposed to Telangana. Solar power generators in the Telangana have been facing delays in payments by upto eleven months.

As on June 30, 2019, total installed capacity of solar power in Telangana stood at 3621 MW. CARE has rated projects/SPVs having aggregate exposure towards Telangana DISCOMs of ~900 MW. All these entities have long term power purchase agreement with Telangana DISCOMs for twenty five years tenor at tariffs in the range INR 5.26 to 6.889 per unit.

Out of the above mentioned aggregate capacity, 215 MW capacity have neither created Debt Service Reserve Account (DSRA) nor tied-up working capital limits. Also, some of the capacity have partial DSRA created and are facing difficulties in creating additional DSRA which were proposed to be created out of project cash flows as per sanctioned terms. Only one third of capacity out of impacted ~900 MW capacity rated by CARE have fully created DSRA and tied up working capital limits, though these working capital limits are also getting utilised to some extent on on-going basis.

The state utilities in Telangana are severely cash strapped and relying on state subsidies to survive. Furthermore, there is no revision in tariffs for FY2019-20. As per the tariff order for FY2018-19, expected revenue deficit for DISCOMs was projected at Rs.5940.47 crore for FY2018-19. Telangana state government provided budgetary allocation of Rs. 4984.30 crore on account of subsidy for FY2018-19. Out of subsidy

payable by Government of Telengana for FY2017-18 of Rs 4777 crore, Rs 850 crore was not released by Government of Telengana in that year.

In view of worsening of liquidity position of these SPVs, apart from ability to service debt in timely manner, the O&M activities and the desired plant availability can also get impacted.

Timely collection of payments from the off-takers and maintenance or creation of DSRA will remain crucial for these companies' overall credit profile in near term. Ratings may be downgraded if there is further delay in payments or absence of promoter's support. The outlook will be revised to Stable in case of commencement of timely collections from Telangana DISCOMs in a sustained manner, and significant decline in the receivable days.

Annexure

Sr. No.	Company Name	Existing Rating	Revised Rating	Rating Action
1	ACME PV Powertech Private Limited	CARE BBB; Stable	CARE BBB; Negative	Outlook revised to Negative
2	Divine Solren Private Limited	CARE A-; Stable	CARE A-; Negative	
3	Mytrah Abhinav Power Private Limited	CARE BBB; Stable	CARE BBB; Negative	
4	Mytrah Adarsh Power Private Limited	CARE BBB; Stable	CARE BBB; Negative	
5	Renew Saur Shakti Private Limited	CARE BBB+; Stable	CARE BBB+; Negative	
6	Renew Mega Solar Private Limited	CARE BBB+; Stable	CARE BBB+; Negative	
7	Surajkiran Solar Technologies Pvt Ltd	CARE BBB; Stable	CARE BBB; Negative	
8	Surajkiran Renewables Resources Pvt Ltd	CARE BBB; Stable	CARE BBB; Negative	
9	Suryoday Energy Private Limited	CARE BBB; Stable	CARE BBB; Negative	
10	Talettutayi Solar Projects Private Limited	CARE BBB; Stable	CARE BBB; Negative	
11	Talettutayi Solar Projects Six Private Limited	CARE BBB; Stable	CARE BBB; Negative	
12	Dayakara Solar Power Private Limited	CARE A- (SO); Stable	CARE BBB+ (CE); Negative	Revised from CARE A-(SO); Stable
13	Grahati Solar Energy Private Limited	CARE A- (SO); Stable	CARE BBB+ (CE); Negative	

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