Renew Mega Solar Power Private Limited

June 10, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	42.00 (Reduced from 44.18)	CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable] #	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)
Total Bank Facilities	**42.00 (Rs. Forty-Two Crore Only)**		

Details of instruments/facilities in Annexure-1

#Backed by credit enhancement in the form of limited period unconditional and irrevocable corporate guarantee from Renew Power Pvt Ltd (RPPL, rated CARE A+/ CARE A1+; (Under Credit watch with Developing Implications).

Unsupported Rating [2]	CARE BBB+ [Triple B Plus] (Assigned)

Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Renew Mega Solar Power Private Limited (RMSPPL) is now backed by unconditional and irrevocable corporate guarantee from Renew Power Pvt Ltd (RPPL, rated CARE A+; Under Credit Watch with Developing Implications, CARE A1+). The corporate guarantee shall be continuing in nature and shall cover the tenor of the facility till the Expiry Date i.e. till the Project Stabilization Date or the company repays all its dues borrowed from the lender and payable to the lender under the facility documents which shall include principal, interest, costs, charges, other monies etc. arising under terms of the facility documents.

Project Stabilization Date shall mean the date on which all of the following events shall have occurred/all of the following conditions shall have been satisfied, to the satisfaction of the Lender:

a) A period of one year from the COD of the Project shall have lapsed;
b) Securities shall have been perfected in accordance with the timeline stipulated under this Agreement;
c) Debt Service Reserve Amount in the DSRA shall have been built up; and
d) The following conditions have been satisfied at all times during the preceding 24 months from the date of testing of the following conditions:
   i) Project load factor shall have been consistently more than P50 levels (24.98% as per last solar resource assessment report) as confirmed by LIE;
   ii) all payments to be made by the Off-taker shall have been made on or prior to the due date as per the PPA"

The unsupported standalone ratings of RMSPPL continues to derive strength from experienced and resourceful promoters viz. RPPL having experience in successfully developing and operating solar power assets across India, operational track record of more than 4 years, long-term off-take arrangement in the form of Power Purchase Agreement (PPA) signed with Northern Power Distribution Company of Telangana Limited (TSNPDCL) at a fixed tariff for the entire capacity, comfortable debt coverage indicators and Debt Service Reserve Account (DSRA) equivalent to two quarters of debt servicing obligations in place.

The rating is, however, constrained by counterparty credit risk on account of relatively weak financial risk profile of the off-taker (TSNPDCL), elongated receivable cycle from Telangana discom of around 7 months, lower generation levels as compared to P-90 levels so far, risk pertaining to interest rate fluctuation risks and exposure to climatic conditions and technological risks.

Rating Sensitivities:

Positive Factors: Factors that could lead to positive rating action/upgrade:

- Generation levels higher than envisaged CUF positively impacting the coverage indicators of the project
- Significant improvement in receivable cycle from the off-takers, TSNPDCL to less than 2 months on sustainable basis

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[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

[2] *As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019*

- Improvement in credit risk profile of the off-taker i.e TSNPDCL

Negative Factors: Factors that could lead to negative rating action/downgrade:

- Significantly lower than envisaged CUF negatively impacting the coverage indicators of the project
- Elongation in receivable cycle from the off-takers, TSNPDCL to 12 months or more negatively impacting the overall liquidity profile of the SPV
- Deterioration in credit risk profile of the off-taker i.e. TSNPDCL
- Non-receipt or delay in receipt of timely support from the promoters viz. RPPL
- Deterioration in credit risk profile of corporate guarantor, RPPL
- Non-compliance of various covenants as per sanctioned terms including continued maintenance of DSRA equivalent to 2 quarters of debt servicing

Detailed description of the key rating drivers

Key Rating Strengths

Corporate Guarantee from RPPL valid till Project Stabilization Date:

As per the amended sanctioned terms, RPPL has executed a revised corporate guarantee in favor of the Security Trustee. The corporate guarantee shall be continuing in nature and shall cover the tenor of the facility till the Expiry Date. i.e. till the Project Stabilization Date or the Borrower repays all its dues borrowed from the Lender and payable to the Lender under the facility documents which shall include principal, interest, costs, charges, other monies etc. arising under terms of the facility documents.

The rupee lenders may permit the release of guarantee after the fulfilment of the conditions mentioned above. However, the guarantee shall not automatically fall off and may be released by the rupee lenders upon satisfaction of the above conditions to the satisfaction of the rupee lenders, whereupon the Security Trustee shall upon receipt of written instructions from the rupee lenders so release the Deed of Corporate Guarantee.

Experienced promoters and resourceful promoters:

RMSSPL is 100% subsidiary of Renew Solar Power Private Limited (RSPPL) which, in turn, is a wholly owned by Renew Power Private Limited (RPPL).

RPPL is engaged in renewable power generation business, mainly through its wholly-owned/majority-owned SPVs. Mr. Sumant Sinha, Founder & CEO of RPPL is well-qualified and has more than two decades of experience in leadership roles across various organizations. The Goldman Sachs group, through its investment arm, GS Wyvern Holdings Limited (GSH), has been making significant equity investment in RPPL since FY12 and is the single largest shareholder. Subsequently, other reputed investors such as Asian Development Bank (ADB), South Asia Clean Energy Fund (SACEF), Abu Dhabi Investment Authority (ADIA, through its arm Green Rock A 2014 Ltd), JERA Power and Canada Pension Plan Investment Board (CPPIB) have made investments and also GSH has participated in further rounds of equity fund raising by the company.

GSH has also participated in further rounds of equity fund raising by the company. In June 2019, RPPL raised fresh equity of USD 300 million (around Rs.2100 cr) through rights issue with three of the existing investors participating. The company has expanded its capacity significantly to become one of the largest renewable energy company in India. During FY21, RPPL has entered into a definitive business combination agreement with RMG Acquisition Corporation II (RMG II) along with fully committed private placement of common stock which is expected to be anchored by marquee institutional investors. The combined transaction would lead to anticipated gross proceeds of around USD 1.2 billion (around Rs. 8,711 crore) out of which anticipated net proceeds in RPPL are expected to be around USD 610 million (around Rs. 4,428 crore) which shall be utilised partially to pay down debt and partially as growth capital.

The company has expanded its capacity significantly to become one of the largest renewable energy company in India. As on April 30 2021, RPPL has operational capacity of around 5.69 GW (63% - Wind, 37% - Solar), majority of which have tied-up long-term PPAs. In addition, the company has around 4.08 GW of power projects under implementation or in various stages of planning.

Operational track record of more than 4 years:

The project was commissioned within envisaged timelines and has operational track record of more than 4 years. The 48 MW project achieved COD in February 2017 as against the SCOD of June 6, 2017.

Long Term offtake arrangement in the form of PPA signed with TSNPDCL:
RMSPPL is supplying power to TSNPDCL as per the terms of long-term PPA for supply of power at a fixed tariff of Rs.5.59 per kWh for a period of 25 years under the State Solar Power Policy. With a long-term off-take arrangement at a fixed tariff, the company has long-term revenue visibility.

Comfortable debt coverage indicators, DSRA of 2 quarters provides comfort:
The debt coverage indicators of RMSPPL are comfortable for the tenor of the loan.
Debt coverage indicators are healthy as the company has prepaid part of term debt FY20 and FY21. Also, the interest rates are quite competitive via term loan availed from a multilateral institution (ROIs linked to London Inter-Bank Offered Rate (LIBOR)) partly availed in the foreign currency term loan which is fully hedged. In line with the sanction terms, the company continues to maintain DSRA equivalent to 2 quarter of debt servicing obligations in the form of Fixed Deposits (FDs) of Rs 20.6 crore as on April 2021.

Industry Outlook:
With the great thrust from the government, there had been significant solar power capacity additions in the last 5 years. However, capacity additions remained muted during last three years ended FY21 on the back of imposition of safeguard duty on import of solar cells & modules w.e.f. July 2018 for two years, which was later extended till July 2021, roll out of GST, attempts to renegotiate tariffs for concluded PPAs, cancellation of multiple concluded auctions on the back of declining tariffs and Covid-19 pandemic induced lockdown. However, capacity additions picked up from June 2020 onwards and with large amount of already bidded out capacity, large capacity additions are expected in FY22 & FY23.
Solar projects have relatively lower execution risks, long-term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, stable power generation, distribution of solar capacity across many states, lower tariffs compared to conventional power generation, must run status of these projects, greater investor interest due to ESG compliance features with attractive returns. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, evolving technology advancements with limited satisfactory operational track record in India, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up etc. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook.
Going forward the key monitorables would be prices of solar modules, performance of the modules in Indian conditions, technology advancements, effectiveness of BCD regime & PLI scheme to boost domestic solar cell and module manufacturing, project implementation risks associated with innovative concepts like wind-solar hybrid projects, battery storage solar projects and pumped storage solar projects, developments in claim of off-takers for renegotiation of PPAs, financial health of Discoms, capacity additions of rooftop solar and effect of second wave of Covid pandemic over solar capacity additions.

Key Rating Weaknesses

Lower than envisaged generation levels:
The operational performance of the plant has remained lower than the P-90 estimated levels. The company achieved CUF of 21.18% during FY21 as against the P90 estimates of 22.52% (applicable for FY21). Historically, the plant achieved a PLF of 20.38% in FY20 and 21.69% in FY19. The CUF levels for FY20 was impacted during September 2019 to December 2019 on account of relatively lower solar irradiation levels and grid curtailment in the month of October 2019 in state of Telangana. Going forward, achievement of generation levels as envisaged would be crucial from cash flow perspective.

Relatively weak credit profile of the off-taker; elongated receivable cycle of around 7 months:
Northern Power Distribution Company of Telangana Limited (TSNPDCL), the off-taker for the project has a relatively weak credit profile having weak debt coverage indicators along with off-taker operating in a restrictive regulatory environment.
The payment pattern of TSNPDCL is elongated with payments being received within 7 months as against 30 days as per PPA terms. The company received last payment in May, 2021 pertaining to energy billed till August, 2020. The outstanding receivable continues to be high, though the same has come down from 9 months as on December 2019 to 7 months as on May 2021. Going forward, timely receipt of revenue from the off-taker will be critical from cash flow perspective. The financial profile of the discom and timely payments will be a key monitorable.

Interest Rate Fluctuation Risk:
The term loans availed is floating rate loans and the lenders can reset the interest rates. However, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company to risk of any adverse movement in interest cost.

Exposure to technology and climatic risks:
The company has used multi-crystalline technology, which has a proven history worldwide, suffers relatively lower degradation and requires lesser land leading to reduction in the Balance of Systems (BoS) cost. However, achievement of desired CUF going forward would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks.

Impact of Covid-19:
The operations of the project were not impacted much as renewable energy projects enjoy must-run status. Accordingly, the plant continued to operate smoothly including during the lock down period associated with COVID-19 pandemic in April and May 2020. The payment pattern has been on similar lines and there has been no impact of covid-19 in the receivable cycle of the company. Moreover, company has not availed any moratorium during the period of April-2020 to August 2020.

Liquidity position: Adequate
The company's liquidity position is adequate given DSRA covering 2 quarters of debt service obligations is in place (Rs.20.6 crore kept in the form of FDs) as on April 2021. Apart from DSRA, cash & bank balance stood at around Rs 40.5 crore as on May, 2021. The company does not have any sanctioned working capital facilities as on date.
GCA for FY22 and FY23 is projected to be around Rs. 17.78 crore and Rs. 17.94 crore as per base case assumptions as against debt repayments of Rs.8.62 crore and Rs 9.85 crore respectively.

Analytical approach:
Credit Enhancement in the form of limited period unconditional and irrevocable corporate guarantee from Renew Power Private Limited (RPPL). The Corporate Guarantee shall remain operative at all the times till the above-mentioned conditions are met.

Unsupported: Standalone

Applicable Criteria
CARE's methodology for Infrastructure sector ratings
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Criteria for Rating Credit Enhanced Debt
Criteria for default recognition
Rating Methodology: Solar Power Projects
CARE's methodology for private power producers
Financial Ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company
RMSPPL is a subsidiary of Renew Solar Power Private Limited (RSPPL, rated CARE A;(Under Credit watch with Developing Implications)), holding 51% stake and balance 49% stake is held by Hareon Power Singapore Private Limited (HPS, solar holding company of Hareon group, China). RSPPL is a wholly owned subsidiary of Renew Power Private Limited (RPPL) and is a holding company of the solar assets of the group.
RMSPPL has set up 48 MW (AC) solar PV capacity at Village Mandamarri, District Adilabad, Telangana using Multi-Crystalline Silicon technology. The project achieved COD in February 2017 (24 MW on February 13, 2017 and 24 MW on February 21, 2017) as against Scheduled COD (SCOD) of June 6, 2017 (15 months from the date of PPA signing).
The project has been set up at a cost of Rs.344.78 crore funded via term debt of Rs.252.88 crore and remaining through promoter contribution. The company is supplying power to Northern Power Distribution Company of Telangana Limited (TSNPDCL) under a 25-year Power Purchase Agreement (PPA) at a fixed tariff of Rs.5.5949/kWh.

Brief Financials – RMSSPL Standalone (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total operating income	50.78	52.14
PBILDT	44.06	41.16
PAT	3.58	12.62
Overall gearing (times)	1.90	1.58
Interest coverage (times)	1.79	1.69

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 33	42.00	CARE A- (CE); Stable
Un Supported Rating-Un Supported Rating (Long Term)	-	-	March 33	0.00	CARE BBB+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	42.00	CARE A- (CE); Stable	-	1)CARE BBB+; Stable (08-Oct-20)	1)CARE BBB+; Negative (17-Dec-19) 2)CARE BBB+; Negative (12-Aug-19)	1)CARE BBB+; Stable (10-Oct-18)
2.	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BBB+	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated facilities

Name of the Instrument-Term Loan	Detailed explanation
A. Non-financial covenants	
I Restricted Payment Conditions	The borrower shall not make any payments of dividends, other distributions in cash , any other payments by way of investments/loans, or share capital of the borrower , any warrants or options thereof, any repayments related to subordinated loans in case the following conditions haven't been met : i) The borrower shall have paid all amounts then due to lender in accordance with financial agreements. ii) The borrower is in compliance with the financial covenants as mentioned in the financial agreements. iii) DSRA has been fully funded. iv) No default has occurred and is continuing by the borrower in meeting the debt servicing obligations.

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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