

## Dakshin Odisha Urja Private Limited

### March 11, 2022

#### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	149.41 (Reduced from 153.60)	CARE D (Single D)	Reaffirmed
<b>Total Bank Facilities</b>	<b>149.41</b> <b>(Rs. One Hundred Forty-Nine Crore and Forty-One Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

#### Detailed Rationale & Key Rating Drivers

The reaffirmation in rating assigned to the bank facilities of Dakshin Odisha Urja Private Limited (DOUPL) continues to factor in the deterioration of the coverage metrics and stretched liquidity profile of the company. Further, rating also factors in lower cash accruals against the debt repayment for company. However, the rating takes cognizance of long-term revenue visibility due to the existence of power purchase agreement (PPA) with Solar Energy Corporation of India (SECI) at a fixed tariff for the entire capacity with stable track record of collection.

#### Rating Sensitivities

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

- Significant improvement in generation and reduction in expenses on a sustained basis, leading to higher cash accrual
- Substantial improvement in leverage and coverage metrics

#### Detailed description of the key rating drivers

##### Key Rating Weaknesses

**Subdued operational performance:** Against the P-90 level of 21.50%, Capacity Utilization Factor (CUF) has remained low at 18.40% in FY21 (refers to period of April 1 to March 31). During 10MFY22, CUF continued to be low at 16.38%.

**Leveraged capital structure with weak coverage indicators:** Financial risk profile of DOUPL is weak characterized by negative networth and weak interest cover. Networth of the company stood negative as on March 31, 2021, on account of large losses incurred during FY20 and FY21. Further, lower generation and higher interest burden due to higher debt resulted in weak interest cover of 1.18x in FY21 (PY: -2.16x).

**Exposure to climatic conditions and technological risks:** 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 and generation at envisaged levels remains crucial for the project.

#### Key Rating Strengths

**Long-term revenue visibility with off-take arrangement in the form of PPA signed with SECI:** DOUPL has entered into a long term PPA with SECI in May, 2017 for supply of power for duration of 25 years at a tariff of Rs. 4.43 per unit, providing stable revenue visibility in future. However, the tariff has been revised downward to Rs.3.75 per unit as a consequence of the delay in COD achievement. Since April 2021, tariff has been increased to Rs. 4.155 per unit. Nonetheless, presence of off-take arrangement provides long term revenue visibility of the project. Further, the payment from off-taker has been received broadly in 60-70 days in the last twelve months.

**Experienced promoters with portfolio of geographically diversified assets:** Essel Group has developed an aggregate capacity of about 645 MW in Solar PV generation under various Special Purpose Vehicles (SPVs) across Uttar Pradesh, Karnataka, Punjab and Maharashtra. In August 2019, Adani Green Energy Limited (AGEL) has signed a share purchase agreement for acquisition of 205 MW of operating solar assets of Essel group located in Punjab, Karnataka and Uttar Pradesh. During FY20, the group has infused Rs. 17.11 cr in DOUPL in the form of unsecured inter corporate deposit to support its operations.

#### Liquidity: Stretched

Lower generation levels of the project coupled with lower tariff (due to delay in COD of the project) has led to low cash accrual vis a vis its large debt obligation. This had resulted in intermittent delays in debt servicing in the past. The cash and bank balance stood at Rs. 1.29 crore as on March 31, 2021.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Analytical approach:** Standalone

**Applicable Criteria**

[CARE's criteria on assigning outlook to credit ratings](#)

[CARE's policy on default recognition](#)

[CARE's Rating Methodology - Infrastructure Sector Ratings](#)

[CARE's methodology for solar power projects](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology- Liquidity Analysis of non-financial sector entities](#)

[CARE'S Methodology for power generation Projects](#)

**About the Company**

DOUPL is a Special purpose vehicle (SPV) of Essel Green Energy Private Limited and is developing solar PV project of total capacity 40 MW in Bargarh District of Odisha. The Power Purchase Agreement (PPA) has been executed between DOUPL and Solar Energy Corporation of India Limited (SECI) for the purchase of solar power for a period of 25 years at a tariff of Rs.4.43 per unit which has been revised to Rs. 3.74 per Kwh due to delay in commissioning.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	10MFY22
Total operating income	21.98	30.78	19.99
PBILDT	-45.16	21.49	-
PAT	-90.00	-17.92	-
Overall gearing (times)	-7.59	-4.97	-
Interest coverage (times)	-2.16	1.18	-

A: Audited

**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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Aug 2036	149.41	CARE D

**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	149.41	CARE D	-	1)CARE D (30-Mar-21)	1)CARE D (26-Mar-20) 2)CARE D (22-Oct-19)	1)CARE BB+ (CWD) (29-Mar-19) 2)CARE BBB-(CWD) (07-Dec-18) 3)CARE BBB-; Stable (18-Jun-18)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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