Tornado Solarfarms Limited

August 11, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	96.28	CARE AA; Stable (Double A; Outlook: Stable)	Assigned
Total Bank Facilities	96.28 (Rs. Ninety-Six Crore and Twenty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to bank facilities of Tornado Solarfarms Limited (TSL) derives strength from its experienced & strong parentage viz. CLP India Private Limited (CIPL) which in-turn is backed by strong promoters – CLP Holdings Limited (CHL) holding majority shareholding of 60% and Caisse de depot et placement du Quebec (CDPQ) holding 40% share capital.

The project also derives strength from its operational track record of 3.75 years and long-term off-take arrangement through Power Purchase Agreement (PPA) signed with strong counterparty Solar Energy Corporation of India Ltd (SECI) at a fixed tariff for 25 years providing long term revenue visibility. The rating also factors in timely receipt of payments from the off-taker since commissioning and presence of experienced Operations & Maintenance (O&M) contractor viz. Mahindra Teqo Private Limited. The coverage indicators of the project are expected to be comfortable, supported by fixed rate of interest for the entire tenor of rated bank facility. Further, the project also has built-up adequate liquidity in the form of two quarter of Debt Service Reserve Account (DSRA).

The above-mentioned strengths are, however, tempered by lower than envisaged generation on account of plant availability issues and delay in receipt of payments against Viability Gap Funding (VGF). The ratings are further constrained by refinancing risk on account of bullet repayment at the end of rated term loan tenor and susceptibility of power generation to variation in climatic conditions, grid availability as well as technological risks.

Rating Sensitivities

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

- Actual generation better than P-90 estimates on sustainable basis
- Improvement in credit risk profile of the offtaker viz. SECI

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

- Actual generation significantly lower than envisaged CARE base case CUF levels impacting the coverage indicators
- Delay in receipt of payments from the off-taker viz. SECI leading to elongation in receivable cycle beyond 3 months
- Significant delay in receipt of Viability Gap Funding (VGF) payment from SECI
- Non-compliance of various covenants as per sanction terms including continued maintenance of DSRA equivalent to 2 quarters of debt servicing
- Deterioration in credit risk profile of the offtaker viz. SECI and/or parent viz. CIPL

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management, strong parentage in the form of CLP Holding Limited with 60% shareholding and CDPQ with 40% shareholding

TSL is a wholly owned subsidiary of CLP Wind Farms (India) Private Limited which is a 100% subsidiary of CLP India Private Limited [CIPL].

CIPL act as holding company in India with majority shareholding (60%) held by CLP Holding Limited. Remaining shareholding of 40% is held by CDPQ. As on May 2021, CLP Group has operational renewable capacity of around 1174.2 MW (79% - Wind, 21% - Solar) and under construction capacity of 250 MW (100% wind). Apart from renewable projects, the group has exposure towards thermal power project (one project of 1320 MW operational in Haryana), gas power project (one project in Gujarat) and power transmission project (240 km intra state line in Madhya Pradesh). Going forward, group key focus in India would be towards expansion in renewable energy segment.

CLP is an investor and operator in the Asia-Pacific energy sector with investments in Hong Kong, Mainland China, India, Southeast Asia, Taiwan, and Australia that span across the energy supply chain. In addition to a diversified portfolio of generating assets that uses a wide range of fuels including coal, gas, nuclear and renewable sources, the group also has

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

operations in the transmission, distribution and retail of energy, and offers smart energy services. CLP's business spans every major segment of the energy value chain, including retail, transmission, distribution, and a diversified portfolio of electricity generation assets.

Entire capacity commissioned with Operational track record of 3.75 years:
TSL has set-up a 20 MW (AC) /27.60 MW (DC) solar power project at Village Bhamer and Saltek, Tal. Sakri, Dist. Dhule in the state of Maharashtra. The project was fully commissioned on October 10, 2017 as against the scheduled commissioning date of May 10, 2017. The plant has now an operational track record of 3.75 years.
TSL was initially set up by Suzlon Energy Limited, however, CIPL through its wholly owned subsidiary, CLP Wind Farms (India) Private Limited acquired 100% ownership in TSL in November, 2018.

***Long-term off-take arrangement,* established payment track record**
TSL has entered into a long term PPA with SECI for supply of power at a fixed tariff for a period of 25 years, under Jawaharlal Nehru National Solar Mission (JNNSM) Phase II Batch III scheme of Central Government. Before acquisition from Suzlon Energy Limited (SEL), the original tariff was reduced from Rs. 4.43 unit to Rs. 4.11 on account of delay in commissioning of the project.
As per the terms of the PPA, SECI is required to make payment within 45 days as due date from the date of invoice. The company has been receiving payments within 70-75 days from the off-taker i.e. within the additional grace period of 30 days as per the PPA terms. Presence of long-term PPA with a strong counterparty at a fixed tariff provides long-term revenue visibility.
As per PPA terms, SECI has also opened irrevocable and revolving Letter of Credit (LC) as a payment security mechanism to the company equal to one month's bill amount of Rs.1.24 crore; valid till 12-Feb-2022.

Strong credit profile of off-taker:
Solar Energy Corporation of India (SECI), set up during 2011, is under administrative control of the Ministry of New and Renewable Energy (MNRE) as an implementation and facilitation institution dedicated to solar energy sector. SECI has been designated as an implementing agency for many of GOI's schemes. SECI has been included as a beneficiary in the Tri Partite agreement (TPA) to be executed between the Central government, State governments and the Reserve Bank of India. Nearly all states /U.T.s have either already signed the TPA or have provided in-principle approval. The TPA insulates SECI from the payment delays by discoms of the signatory states/U.T.s. Further, the track record of payments to SECI by most of the discoms over the last more than three years has been regular. This mechanism will in turn ensure timely payments to the power suppliers by SECI.

50% Viability Gap Funding (VGF) payment received from SECI so far, delay in receipt of following 3 tranches:
The project is eligible to receive VGF of Rs.10.80 crore from SECI (50% on commissioning and balance in 5 equal yearly instalments of 10% each). So far, the company has received one VGF tranche aggregating to Rs.5.40 crore received in February 2020.
The company is yet to receive the next 3 tranches of VGF aggregating to Rs.3.24 crore which have become due. The delay has largely been due to change in the ownership of the project, COVID-19 pandemic and refinancing of debt.

Modules and Invertors sourced from reputed suppliers with standard warranty clauses; O&M agreement with Mahindra Teqo Private Limited:
The company's solar project is based on PV technology using polycrystalline modules. The company has procured modules from Canadian Solar; while Inverters are procured from Tebian Electric Apparatus (TBEA). The company had entered into an O&M contract with Mahindra Teqo Private Limited *(100% subsidiary of Mahindra Susten Private Limited)*.

Comfortable debt coverage indicators, no interest rate fluctuation risk:
As per the sanctioned terms, the rate of interest of term loan is fixed. Also, the debt coverage indicators of TSL are comfortable for the tenor of the rated term loan.
Additionally, in-line with sanctioned terms, the company has created Debt Service Reserve Account (DSRA) equivalent to 2 quarters of debt service obligations in the form of Bank Guarantee (BG); issued by the holding company i.e. CLP India Private Limited.

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 so far on account of lower plant availability, however, improvement in generation levels seen in FY21:

The operational performance of the plant has remained lower than P-90 estimated levels on account of lower plant availability so far. However, the project generated improved Net CUF of 21.30% during FY21 (refers to the period April 1 to March 31) as against Net CUF of 20.51% during FY20; though it continues to be lower than envisaged P-90 CUF of 23.62%.
Since commissioning, the plant has been facing issues pertaining to lower plant availability. Going forwards, timely resolution of the matter related to plant availability issue will be a key monitorable, as achievement of generation levels as envisaged is linked to improvement in plant availability in the future.

Refinancing Risk:

The company has availed new 5-year term loan under partial amortizing structure along with a bullet repayment to the tune of 73.685% (Including scheduled repayment of March-2026 quarter) of term loan. Therefore, the project is exposed to refinancing risk at the end of tenor after 5 years i.e. March 31, 2026.
Nevertheless, the project will have tail period of 16.5 years at the time of refinancing. Also, presence of a strong promoter provides some comfort on refinancing risk.

Exposure to technology and climatic risks:

The company has used poly-crystalline PV technology, which has a proven history worldwide, suffers relatively lower degradation as compared to thin film modules 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.

Liquidity: Adequate

As on 13th June 2021, TSL has surplus cash and bank balance of Rs. 5.50 crore. Additionally, TSL has DSRA balance of Rs. 6.10 crores created in the form of Bank Guarantee (BG) which is equivalent to 2 quarter of debt servicing obligations. The company does not have any sanctioned working capital lines.
Further, the presence of a letter of credit (LC) equivalent to 1 month as payment security equivalent of one month of receivables from offtaker provides additional comfort from liquidity perspective.
GCA for FY22 and FY23 is projected to be around Rs. 6.78 crore and Rs. 7.74 crore as per base case assumptions as against total scheduled debt repayment of Rs. 5.34 crore and Rs. 5.34 crore during the same period.

Analytical approach: Standalone along with factoring linkage with parent entity

Applicable Criteria

CARE's methodology for Infrastructure sector ratings
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Rating Methodology: Solar Power Projects
CARE's methodology for private power producers
Financial Ratios – Non-Financial Sector

Liquidity Analysis of Non-Financial Sector Entities
Criteria on Factoring Linkages Parent Sub

About the Company
Tornado Solarfarms Limited (TSL), incorporated on March 27, 2015, is a special purpose vehicle promoted by CLP Wind Farms (India) Private Limited (CWFIPL). CWFIPL is a 100% subsidiary of CLP India Private Limited (CIPL) which in turn is subsidiary of CLP Holding Limited [60%] and CDPQ Infrastructures Asia II PTE. Ltd [40%].
TSL has set up a 20 MW AC (27.60 MW DC) polycrystalline based solar power project in Village Bhamer and Saltek, Tal. Sakri, Dist. Dhule, Maharashtra. TSL was initially set up by Suzlon Energy Limited, however, CLP India Private Limited through its wholly owned subsidiary, CLP Wind Farms (India) Private Limited acquired 100% ownership in TSL on November, 2018.
The company is supplying power under a power purchase agreement signed with Solar Energy Corporation of India Limited (SECI) for 25 years at a fixed tariff. The project was set up at a cost of Rs. 123.51 crore (Rs. 6.17 crore/MW).

Brief Financials (TSL – Standalone) (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total operating income	15.91	16.30
PBILDT	13.89	13.74
PAT	-0.71	0.34
Overall gearing (times)@	7.89	7.58
Interest coverage (times)	1.45	1.48

A: Audited; Prov: Provisional
@Higher gearing is on account of deterioration in Networth; because of high depreciation charge of Rs. 12.61 crores in FY19 as against Rs. 6.32 crores in FY18.
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-Long Term	-	-	-	31-March-2026	96.28	CARE AA; Stable

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-Long Term	LT	96.28	CARE AA; Stable	-	-	-	-

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

Name of the Instrument	Detailed explanation
A. Financial covenants	
DSCR	**>= 1.15x**
B. Non-financial covenants	
Restricted Payment Conditions	Dividend payment / interest payment on subordinated loans from Promoters shall be subordinated to LENDER Facility and can be made, post meeting the following Restricted Payment conditions: ➢ Repayment of Facility would have started ➢ Any stipulated reserve is created as per terms of the Facility. ➢ No Material Adverse Effect in the Project. ➢ No breach of financial covenant.

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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