Atria Solar power (Ryapte)Private Limited

January 18, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	81.83 (Reduced from 85.56)	CARE BB+; Positive (Double B Plus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Total Bank Facilities	**81.83 (Rs. Eighty-One Crore and Eighty-Three Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in outlook to the ratings assigned to the bank facilities of Atria Solar Power (Ryapte) Private Limited (ASPRPL) reflects completion of long pending evacuation infrastructure which would now enable the company to evacuate entire 20MW of power as against 10MW earlier. While CARE Ratings Ltd. notes that the construction of the evacuation infrastructure was completed during November 2021, its synchronization with the grid is still pending. The ratings continues to be constrained on account of weak debt coverage indicators, exposure to termination of PPA, associated renewal risk in tying up at remunerative tariff and susceptibility of generation to variation in climatic conditions.

These rating weaknesses are partially offset from experience and resourcefulness of the promoters, timely funding support from the promoter group for setting up of the evacuation infrastructure and for debt servicing, operational status of project, firm off take agreement for entire capacity and timely receipt of payments from off takers.

Rating Sensitivities

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

- Timely synchronization with the grid and achievement of more than P-90 generation levels on consistent basis leading to improved debt coverage indicators

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

- Delay in receipt of support from parent towards for debt repayments as and when required
- Lower than envisaged improvement in generation levels leading to further stress on the debt coverage matrix.

Outlook: Positive

Positive outlook is on account of completion of evacuation infrastructure which is likely to result in improved revenue and debt coverage indicators as the entire 20MW capacity can be evacuated from the project as against power evacuated upto 10 MW previously. The outlook may be revised to 'Stable' in case of lower than envisaged generation.

Detailed description of the key rating drivers

Key Rating Weaknesses

Evacuation infrastructure issues with company able to evacuate part of its capacity: The company had completed the project in Sept'16 (started to generate revenue from Jan'17) but due to inadequate infrastructure, it has not been able to evacuate entire power generated. Due to various reasons, the issue remained unresolved and ASPRPL decided to build the evacuation infrastructure by itself through promoter funds. The company had received approval from KPTCL for self-construction in Sep'19 and it was anticipated that the same would be completed by Mar'20. However, due to right of way issues (ROW), COVID and labor unavailability in the wake of lockdown imposed, the same got delayed. Nevertheless, the company has completed the evacuation infrastructure in November 2021, however, synchronization of the same with the grid is pending and is expected to be completed in Q4FY22. With operationalization/synchronization of the transmission line with the grid, the company will be able to evacuate its entire generation leading to improvement in revenue levels. Going forward, resolution of the issue related to evacuation infrastructure will be key rating sensitivity. At present, the rating continues to take comfort from timely funding support from promoter group which is expected to continue until the evacuation infrastructure issue is resolved.

Exposure to termination and associated renewal risk in tying up at remunerative tariff: The PPAs with counterparties are exposed to termination risk and resulting renewal risk in tying up at remunerative tariff. However, considering the fact that KERC (Karnataka Electricity Regulatory commission) has exempted cross-subsidy charges and wheeling charges for solar power projects commissioned before March 2018, for a period of 10 years from the date of commercial operations date, such exemptions shall enable the company to provide power at very competitive rates. Additionally, the PPAs are secured with adequate clause for compensation in case of exit by the counterparties.

Weak coverage indicators in-absence of adequate evacuation infrastructure: The generation level remained stable during FY21 as reflected by net generation of 24.82 MU (Net PLF-14.17%) as against 24.88 MU (Net PLF-14.20%) in FY20. During 7MFY22, the generation levels improved with PLF of 16.63% as against PLF of 13.70% achieved during 7MFY21. Due to

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

the issues related to evacuation infrastructure, company is able to utilize part of its capacity resulting inadequate cash flow to meet its debt servicing obligations. The company has been receiving timely support Atria Solar Pvt Ltd (ASPL, Subsidiary of ABPPL) in the form of unsecured loans to meet its debt servicing obligations. Continuing financial support from promoters group and timely synchronization of evacuation infrastructure with the grid will be critical.

Susceptibility of generation to variation in climatic conditions Achievement of desired PLF and sustenance of the same going forward would be subject to changes in climatic conditions, specifically the solar irradiation at the site, amount of degradation of modules as well as other technological risks. ASPRPL's solar project is based on photo voltaic technology based on poly-crystalline modules and the same has an established track record of performance globally.

Key Rating Strengths

Long track record of promoters along with group's established track record in renewable power generation: ASPRPL promoter, Mr. C Sunder Raju, is also the promoter of Atria Group, which is into renewable power generation since 1995, with demonstrated capability of executing and operating renewable energy projects. As on September 30, 2021, the promoter group has a diversified power portfolio of 518.20 MW including some assets in individual capacity. Operational capacity of the various SPVs is tied up under long term PPAs ranging between 10-25 years, with various offtakers including discoms and third parties at attractive tariffs, which provides long term revenue visibility.

Firm offtake agreement for entire capacity: The Company has been supplying power to various 3rd parties either through PPA entered into in its individual capacity or through PPA with AESPL (Atria Energy Services Private Limited, an energy trading company of Atria group). The company has been receiving payments within a month from all its off-takers.

Funding support from Atria group expected to fund the shortfall in debt servicing: Since inception, ABPPL has been supporting ASPRPL (through its subsidiary ASPL) in servicing its debt obligation in the form of unsecured loans (USL) as the company has not been self-sufficient owing to inadequate evacuation infrastructure. Over the years, ASPRPL received support of Rs. 17.15 crore from its promoters to meet its debt servicing obligations in a timely manner. These USL are interest free and no repayment terms have been prescribed thereof

Liquidity: Stretched
The liquidity profile of the company remains stretched due to lower than breakeven generation resulting in insufficient cashflows for meeting debt servicing obligations. ASPRPL is dependent on the group for timely debt servicing and has received Rs. 7.20 crore and Rs. 2.30 crore during FY20 and FY21 respectively for debt servicing and construction of evacuation structure. Further, additional Rs. 2.50 crore were infused by the group during 9MFY22 into the company to support its operations.
As on November 29,2021, the company had free cash and bank balance of Rs. 0.98 crore and one quarter DSRA of Rs. 4.90 cr.
ABBPL (ultimate holding company) is maintaining free cash and bank balance of Rs.108.37 crore as on November 29,2021 at consolidated level thereby reflecting adequate liquidity at group level.

Analytical approach: Standalone along with financial support from ABBPL (through its subsidiary ASPL) expected to fund the shortfall in debt servicing.

Applicable Criteria
Policy on default recognition
Factoring Linkages-Parent Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Power Generation Projects
Solar Power Projects

About the Company
Mr. Chinnaswamy Sunder Raju (Mr. C Sunder Raju, promoter of Atria Group) in his individual capacity implemented 20 MW solar project near Ryapte village, Pavagada taluka, Tumkur district, Karnataka, with an overall cost of Rs.135 crore funded through a debt of Rs.93 Cr and balance with equity contribution. The plant construction was completed and synchronized on September 25, 2016. However, the project was unable to evacuate full power. The project started generating revenue from January 2017 onwards. To manage project on behalf of him, Mr. C Sunder Raju signed a management agreement with its flagship company of its Atria group, Atria Brindavan Power Private Limited. The entire capacity of the project has been tied up, with firm PPA with various third parties. On May 30, 2017, Mr. C Sunder Raju signed a business succession agreement with Atria Solar Power (Ryapte) Pvt. Ltd. (ASPRPL). The succession of project assets was completed in FY18.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	14.50	15.53	NA
PBILDT	9.59	8.72	NA
PAT	-12.02	-12.31	NA
Overall gearing (times)	-81.25	-7.42	NA
Interest coverage (times)	0.87	0.75	NA

A: Audited; NA: Not Available

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	-	-	-	Jun 2031	81.83	CARE BB+; Positive

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	81.83	CARE BB+; Positive	-	1)CARE BB+; Stable (05-Nov-20)	1)CARE BBB-; Negative (13-Nov-19)	1)CARE BBB-; Negative (13-Mar-19)

* Long Term

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

Name of the Instrument	Detailed explanation
A. Financial covenants	**i.** Maximum Debt to Equity ratio is 70:30 **ii.** Minimum DSCR of 1.10 before declaring dividend **iii.** Minimum Asset coverage ratio of 1.2 **iv.** DSRA equivalent to ensuing one quarters' principal and interest payment
B. Non financial covenants	**i.** The borrower has the obligation to honor all commitments of individual deals irrespective of Loan Equivalent Risk amounts. **ii.** So long are monies are due to the lender, they have a lien for such amounts on all credit balances, deposits, etc. **iii.** Except for prior written notice of at least one month in advance, the borrower cannot make any alterations in controlling ownership or in the nature of business.

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 for any clarifications.

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About CARE Ratings Limited:
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