

## Jasrasar Green Power Energy Private Limited

May 26, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	145.00	CARE BBB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the bank facilities of Jasrasar Green Power Energy Private Limited (JGPEPL), which is setting up a 14.9 MW biomass-based power project, in Bikaner district, Rajasthan, factors in the presence of long-term power purchase agreement (PPA) with Rajasthan Urja Vikas Nigam Limited (RUVNL) with generic tariff determined at per RERC guidelines. The rating further derives strength from the resourceful and experienced parentage of SAEL Limited (SAEL), which has a long track record of developing and operating biomass-based power projects. SAEL's stated posture towards JGPEPL is strong, as exhibited by the presence of unconditional and irrevocable corporate guarantee (CG) which is valid for the entire amount and tenure of the rated debt. Furthermore, the rating positively factors in presence of enabling regulatory policies which ensure mitigation of fuel supply risks.

The rating is, however, constrained on account of exposure to execution risk as the project is under-implementation. The ability of the company to execute the project without any material time and cost overrun will be a key credit monitorable. The rating is further constrained by the working capital-intensive nature of business operations, risks related to biomass price volatility and its availability which is linked to agro-climatic conditions. The ratings are further constrained by exposure of the company to relatively weak counterparty and leveraged capital structure. Further, the company shall be exposed to variations in the interest rates as the debt is linked to floating rates.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Successful demonstration of operational parameters of the project, viz. project PLF, station heat rate, operating efficiency, etc. to be in line with the company projected metrics
- Faster than expected deleveraging of the project resulting in improved coverage metrics

#### Negative factors

- Any material time or cost overrun leading to significant delay in commissioning of the project, adversely impacting project's profitability
- Any significant underperformance in the operational parameters of the project, viz. project PLF, station heat rate, operating efficiency, etc. as against the company projected metrics

**Analytical approach:** Standalone

#### Outlook: Stable

The stable outlook on the CARE BBB- rating of JGPEPL reflects CARE Ratings' opinion that the company would be able to commission the project in a timely manner. Further, the outlook is supported by the satisfactory revenue visibility given the presence of long term PPA.

### Detailed description of the key rating drivers:

#### Key strengths

#### Long-term revenue visibility on account of presence of long-term PPA with RUVNL

The company has low offtake risks on account of a long-term PPA with RUVNL for a tenor of 25 years. The tariff of this project is the generic tariff as determined by RERC for biomass-based power projects getting commissioned from time to time. The applicable tariff for units commissioned in FY23 is 7.12/unit, which includes levelized fixed tariff of Rs 2.72/unit and variable cost

<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

of Rs 4.40/unit (with escalation of 5%). The project is expected to be commissioned during Oct 2024 and hence RERC guidelines for projects getting commissioned in FY25 shall be applicable. This provides revenue visibility to the company.

### **Experienced and resourceful parentage in the form of SAEL Limited in renewable energy segment**

SAEL, which is the ultimate parent of the JGPEPL, is one of the largest companies involved in the business of renewable energy development in India. As of May 2023, SAEL Limited has total renewable capacity of 1132.9 MW, comprising of operational 273.0 MW of Solar and 80.5 MW of biomass projects and under implementation capacity of 680.0 MW of Solar and 99.40 MW of Biomass projects. Till date SAEL Ltd has commissioned 5 Nos. of biomass-based power projects, 15 MW at Gazipur, U.P., 18 MW at Ferozepur - Punjab & 18MW at Faridkot- Punjab, 15 MW in Kaithal, Haryana & 14.5 MW at Lambi, near Bhatinda, Punjab. All the projects are operational and have satisfactory capacity utilization levels.

SAEL's stated posture towards JGPEPL is strong, as exhibited by the presence of unconditional and irrevocable corporate guarantee (CG) which is valid for the entire amount and tenure of the rated debt.

### **Key weaknesses**

#### **Exposure to execution risks on account of project being under implementation**

The project is exposed to execution risk on account of project being under implementation with the present progress limited to only acquisition of the overall land requirement and rolling out of the purchase order for the machinery and equipment. The ability of the company to execute the project without any material time and cost overrun shall be a key credit monitorable

#### **Raw material sourcing and price volatility risk; high working capital intensity project**

The pricing and availability of biomass is determined by the supply and demand factors. On the supply side, availability of agro-wastes is critically dependent on the production of the underlying crop, which can often be volatile and determined by agro-climatic conditions and cropping patterns. This exposes biomass-based plants to seasonal volatility in fuel supply and prices. Moreover, the company will have to maintain and manage high inventory levels given the purchase of biomass during harvest season and its use over the year thus exposing the company to high working capital requirement. However, the promoters has a track record of operating biomass-based power projects and thus have an experience of sourcing post-harvest agricultural waste directly from farmers in Punjab. This coupled with the presence of reserved/command areas as mandated by the regulatory authority, mitigates the raw material procurement risk to an extent.

#### **Exposure to counterparty credit risk**

The company's operations remain exposed to the counterparty credit risk on account of exposure to Rajasthan state distribution utilities as the offtakers, which have modest credit profiles. Any significant delay in payments by the counterparties will stretch the company's receivable cycle and in turn adversely impact the overall liquidity profile.

#### **Leveraged capital structure along with exposure to interest rate risks**

The capital structure of the company is expected to be leveraged on account of the debt-funded capex (75:25) incurred for setting up the project. Furthermore, the presence of floating interest rates exposes the profitability remains to any increase in the interest rates.

#### **Liquidity: Adequate**

As the project is under-implementation, there is limited liquidity. As per CARE Ratings' base case GCAs for FY26 and FY27 is expected to be Rs. 9-10 crores as against annual repayments of Rs. 4-6 crores. Further as per sanction terms, the company has to maintain one quarter DSRA post commissioning. The company is also maintaining working capital limits to take care of any cash flow mismatch.

### **Applicable criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Project stage companies](#)

[Infrastructure Sector Ratings](#)

[Policy on Withdrawal of Ratings](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

Jasrasar Green Power Energy Private Limited (JGPEPL) incorporated on February 2nd, 2022, is a special purpose vehicle (SPV) and a subsidiary of SAEL Limited and is setting up a biomass-based power project in Bikaner, Rajasthan. The company has signed a long-term Power Purchase Agreement (PPA) for 25 years, with Rajasthan Urja Vikas Nigam Limited (RUVNL). The project is scheduled to commission during October, 2024.

**Brief Financials:** Not Applicable, as the project is under construction

**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:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.09	CARE BBB-; Stable
Term Loan-Long Term		-	-	June 2040	129.91	CARE BBB-; Stable

### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Term Loan-Long Term	LT	129.91	CARE BBB-; Stable				
2	Fund-based - LT-Cash Credit	LT	15.09	CARE BBB-; Stable				

\*Long term/Short term.

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

**Annexure-4: Complexity level of the various instruments rated**

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

**Annexure-5: Lender details**

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

**Note on the complexity levels of the rated instruments:** CARE Ratings 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.

## Contact us

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