

S.J. Green Park Energy Private Limited

July 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	6.24 (Reduced from 13.02)	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the rating of S.J. Green Park Energy Private Limited (SJGPL), CARE Ratings Limited (CARE Ratings) has taken a combined view of SJGPL and Euro Solar Power Private Limited (ESPLL; rated 'CARE A; Stable') due to their managerial and financial linkages.

The rating assigned to bank facilities of SJGPL derives comfort from the satisfactory capacity utilisation factor (CUF) of both the solar power plants over their operational track record of nearly 11.5 years, long-term revenue visibility considering the power purchase agreement (PPA) for a tenor of 25 years for the entire capacity with Gujarat Urja Vikas Nigam Limited (GUVNL; rated 'CARE AA; Positive/CARE A1+'), established track record of timely payments since commissioning, and a healthy tail period of around 11 years.

The rating also continues to factor in resourcefulness of its promoter group, comfortable debt coverage indicators and adequate liquidity position of both the entities backed by presence of debt service reserve account (DSRA) equivalent to one quarter of debt obligations, an inverter replacement reserve (IRR) and operations & maintenance (O&M) reserves, and the presence of a co-obligor structure between both entities.

However, above rating strengths are constrained considering limited experience of promoters in the renewable power segment, vulnerability of power generation to the variation in climatic conditions, and technology risks associated with solar power plants and interest rate fluctuations given the fixed power tariff for the project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of ESPLL and SJGPL to demonstrate a sustained improvement in the CUF levels above 20.00% which will result in improvement in its profitability.
- Improvement in the liquidity profile marked by accumulation of surplus funds.

Negative factors

- Reduction in CUF levels below 15% on sustained basis leading to deterioration in debt service coverage ratio (DSCR) below 1.10 times.
- Deterioration in the credit profile of the off-taker, i.e. GUVNL, or a delay in receipt of payments from GUVNL beyond 30 days on a sustained basis.

Analytical approach: CARE Ratings has taken a combined view of ESPLL and SJGPL due to their managerial and financial linkages.

Outlook: Stable

CARE Ratings believes that the special purpose vehicles (SPVs) will continue to benefit from its long-term PPA with GUVNL having strong financial risk profile and expectations of satisfactory generation levels going forward.

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

Detailed description of key rating drivers:**Key strengths****Established operational track record with satisfactory generation levels**

Both the solar power plants were commissioned in December 2012 and has a seamless operational track record of more than years since its commissioning in 2012. CUF level of both ESPPL and SJGPL remained satisfactory in FY24 (refers to period from April 01 to March 31) at 17.89% (FY23: 18.54%) and 16.36% (FY23: 16.88%), respectively. Some moderation in generation level in FY24 was considering landfall of cyclonic storm in Gujarat in June 2023 and adverse weather conditions in the Q1FY24, which was considered in last review.

Revenue visibility backed by long-term PPA with GUVNL and satisfactory payment track record

ESPPL and SJGPL has low offtake risk owing to the presence of a long-term (25-year) PPA with GUVNL at a fixed tariff of ₹9.98 per kW-hour (kWh) for the first 12 years and ₹7 per kWh for the remaining 13 years. The total operating income (TOI) of the SPVs on a combined basis stood at ₹17.00 crore in FY24 (FY23: ₹15.45 crore), out of which income from solar power was at ₹14.99 crore, apart from that SPVs have also booked combined income of around ₹2 crore from sale of carbon credit in FY24. The presence of a long-term PPA with a strong counterparty at a fixed tariff and receipt of payments within 9-10 days of billing mitigates the counterparty risk and provides cash flow sustainability to the company. Nevertheless, considering GUVNL is the sole procurer of the power generated by the SPVs, the latter are exposed to client concentration risk.

Comfortable debt coverage indicators with presence of healthy tail period

Per the provisional results of FY24, the debt coverage indicators on a combined basis improved and remained comfortable, marked by a PBILDT interest coverage of 6.59x (FY23: 4.81x) and total debt (TD) to gross cash accruals (GCA) at 1.26 years (FY23: 2.59 years). In FY24, ESPPL has prepaid the loan of ₹1.19 crore (FY23: ₹0.65 crore) and SJGPL has prepaid a loan of ₹3.60 crore (FY23: ₹0.74 crore). In current year, SJGPL has made repayments of ₹2.64 crore till June 20, 2024. Considering the prepayment of debt and presence of cash sweep mechanism, both the companies have a healthy tail period of around 11 years and these term loans are expected to be repaid before the scheduled repayment timeline.

Presence of a TRA and co-obligor undertaking

According to the terms of the co-obligor undertaking executed between ESPPL, SJGPL and the lenders, in case the cash flow of any of the projects is insufficient to service its debt obligations, the lender will, without any intimation to the borrower, have the right to use the surplus cash flows of the other SPV to fund the shortfall prior to the invocation of the DSRA. Moreover, cashflows are routed through a trust and retention account (TRA) and is being utilised in a stipulated waterfall mechanism.

Presence of a fixed-price O&M contract

ESPPL and SJGPL have entered a fixed-price O&M contract with Prozeal Green Energy Private Limited (erstwhile Prozeal Infra Engineering Private Limited (PGEPL; rated 'CARE BBB; Positive/CARE A3+') in January 2020 for monitoring O&M activities for a term of five years, which is to be renewed every year. PIEPL will monitor the O&M activities carried out by the in-house team of the SPVs. The in-house team comprises experienced and skilled personnel, who have been associated with the units since its inception.

Resourceful promoter groups

Both the SPVs are owned by Ahmedabad-based Zaveri Power LLP (ZPLLP) and Shukun Builders Private Limited (SBPL). ZPLLP is promoted by the Zaveri group's flagship entity, Zaveri & Company Private Limited (ZCPL; rated 'CARE A-; Stable/CARE A2+' holds 52% stake in ZPLLP, and the balance 48% is held by promoters and directors of ZCPL). ZCPL is engaged in the trading of precious commodities, gold refining, wholesale jewellery manufacturing and its exports, trading and investing in shares and mutual funds, and electricity generation.

SBPL is promoted by Jayprakash Bajaj, who has an experience of over 18 years in the construction segment. ZCPL had adequate liquidity in the form of lien-free cash and bank balance of ₹14.76 crore and investments of ₹34.33 crore as on March 31, 2023.

Industry outlook: Solar power- Stable

India has an installed renewable capacity of around 146.65 GW (excluding large hydro) as of May 2024, comprising solar power of 84.27 GW, wind power of 46.42 GW, small hydro of 5 GW, and other sources including biomass of 10.96 GW. There has been a significant traction in solar power installations over the last few years. Overall, India stands among the top-five nations globally in Renewable Energy Installed Capacity (per REN21 Renewables 2024 Global Status Report). Over the years, renewable energy industry has benefitted considering Government's strong policy support, India's large untapped potential, presence of creditworthy central nodal agencies as intermediary procurers and improvement in tariff competitiveness. Going forward, with India setting up an ambitious target of achieving 450-GW renewable capacity by 2030, the regulatory framework is expected to remain supportive.

However, developers are expected to face challenges in the near term considering volatile input costs and duty structures on cells and modules.

This apart, challenges for acquisition of land and availability of transmission infrastructure also remains a key bottleneck. However, the Indian renewable industry continues to be a preferred investment alternative for both domestic and foreign investors and is expected to post robust growth going forward as well.

Key weaknesses

Limited experience of promoters in renewable power segment

Although Zaveri and the SBPL group have acquired a controlling stake in the renewable energy portfolio of around 98.60 MW (including hydro, wind, and solar projects), the group's experience in the construction and O&M of renewable power assets is relatively limited.

Exposure of project towards climatic conditions and technological risk

The CUF level of a solar power plant primarily depends upon solar radiation levels, climatic conditions, degradation of modules, and technology used. The SPVs have used poly-crystalline PV technology, which has a proven history worldwide, suffers relatively lower degradation, and requires lesser land, leading to a reduction in the balance of systems (BoS) cost. Nevertheless, its performance in Indian conditions is relatively limited. Also, the adverse climatic conditions have impacted SJGPL's performance, which remained below P90 levels in last four years ended CY23 (refers to period from January 01 to December 31). Consequently, although the modules and other equipment have been sourced from reputed suppliers, the technological risk persists for the project duration.

Interest rate risk

Interest rate on debt is reset periodically by lenders to align with market rates. Any significant adverse variation in the interest rates could potentially lower project return and affect the debt coverage indicators since the tariff is fixed per PPA. Since the last review, rate of interest on project debt has increased by 25 bps for both the SPVs, though debt protection indicators remain comfortable with significant prepayment.

Liquidity: Adequate

The liquidity position of both the SPVs remained adequate, with a defined cash flow mechanism in place, maintenance of a DSRA equivalent to one-quarter of the debt servicing obligations, creation of IRR and O&M reserves in line with the sanctioned conditions, and the receipt of payments within 9-10 days of submission of the monthly bills. The SPVs had a combined free cash and bank balance and lien-marked FDs of ₹4.84 crore as on March 31, 2024 (₹5.44 crore as on March 31, 2023).

As on March 31, 2024, both the SPVs have funded a DSRA equivalent to around one-quarter of debt servicing obligations, IRR and O&M reserve amounting to ₹3.94 crore in the form of FDs. The cash flow available for debt servicing is expected to be around ₹10 crore for FY25, which is adequate to cater to its debt obligations (including interest) of around ₹8 crore on a combined basis.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

[Solar Power Projects](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power generation

SJGPL

Incorporated in August 2010, SJGPL was earlier promoted by the Vadodara-based Madhav group to set up a 5-MW (DC capacity: 5.125 MW) solar PV power project at Surendranagar, Gujarat. In FY20, the Madhav group sold its entire stake in SJGPL to Ahmedabad-based Zaveri Realty LLP (ZPLLP; 51%) and Shukun Builders Private Limited (SBPL; 49%). In FY22, there has been a change in the shareholding pattern, where ZPLLP and SBPL are equal shareholders in the company.

The total project cost was ₹50.85 crore, which was funded in the debt-to-equity ratio of 2.2:1. The project commenced operations in December 2012, after a time overrun of 11 months.

ESPLL

Incorporated in January 2008, ESPLL was earlier promoted by the Vadodara-based Madhav group to set up a 5-MW (DC capacity: 5.125 MW) solar PV power project at Shivilakha in Kutch, Gujarat. In FY20, the Madhav group sold its entire stake in ESPLL to Ahmedabad-based Zaveri Realty LLP (ZPLLP; 51%) and Shukun Builders Private Limited (SBPL; 49%). In FY22, there has been a change in the shareholding pattern, where ZPLLP and SBPL are equal shareholders in the company.

The total project cost was ₹58.22 crore, which was funded in the debt-to-equity ratio of 1.92:1. The project commenced operations in December 2012, after a time overrun of 11 months.

Combined (ESPLL + SJGPL)

Brief Financials (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	15.33	15.45	17.00
PBILDT	13.85	13.76	14.85
PAT	7.06	9.43	11.73
Overall gearing (times)	2.55	1.21	0.48
Interest coverage (times)	3.13	4.81	6.59

UA: Unaudited (Audited financials for FY22 and FY23 and provisional financials for FY24 combined by CARE Ratings)

Note: 'the above results are latest financial results available'

SJGPL

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	7.33	7.36	8.15
PBILDT	6.70	6.52	7.16
PAT	3.78	4.82	5.97
Overall gearing (times)	1.75	0.90	0.31
Interest coverage (times)	3.34	5.25	7.46

A: Audited; Prov.: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: None

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-Term loan		-	-	March, 2029	6.24	CARE A; 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 2024-2025	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
1	Fund-based - LT-Term loan	LT	6.24	CARE A; Stable	-	1)CARE A; Stable (26-Jun-23)	1)CARE A; Stable (15-Sep-22)	1)CARE A (CE); Stable (24-Aug-21)
2	Fund-based - ST-Working capital demand loan	ST	-	-	-	-	-	1)Withdrawn (24-Aug-21)
3	Unsupported rating-Unsupported rating (Long term)	LT	-	-	-	-	1)Withdrawn (15-Sep-22)	1)CARE A (24-Aug-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	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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About us:

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