# Suryataap Energies & Infrastructure Private Limited

September 16, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 16.75<br>(Reduced from 17.97) | CARE BBB; Stable | Revised from CARE BBB-; Stable |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Suryataap Energies & Infrastructure Private Limited (SEIPL) factors in better than envisaged generation during last financial year ending March 2024. Enhanced operations and maintenance (O&M) practices contributed to the improved plant generation during FY24 (refers to the period April 01 to March 31), which along with lower finance cost led to improvement in debt coverage indicators. Sustained timely receipt of payments from off-takers adds comfort to the rating. The rating continues to derive strength from long-term off-take agreement from power purchase agreement (PPA) with Assam Power Distribution Company Limited (APDCL) for the entire capacity at fixed tariff, maintenance of debt service reserve account (DSRA) for two-quarters of debt servicing along with presence of escrow account with a predefined waterfall mechanism for the payments received from APDCL and experienced promoters in setting up and operating power projects.

However, the rating continues to remain constrained by the counterparty credit risk on account of relatively weak financial profile of the off-taker, leveraged capital structure, moderate debt coverage indicators and exposure to climatic conditions & technological risks. The rating also takes cognisance of the ongoing investigation against promoter by investigating agencies. However, the matter remains sub-judice.

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

### Positive factors

- Significant improvement in off-takers' credit risk profile.
- Faster-than-expected deleveraging of the asset, as reflected by a significantly lower-than-envisaged total debt (TD)/earnings before interest, taxes, depreciation, and amortisation (EBITDA) on a sustained basis.

### Negative factors

- Generation levels lower than the envisaged levels on a sustained basis impacting debt service coverage indicators.
- Delay in receipt of payments from the off-taker beyond 60 days.
- Non-receipt/delay in promoter support in case of meeting any cash flow mismatch requirements.
- Any materially adverse outcome of the ongoing investigations against promoter having a negative impact on the business and/or financial risk profile of the company.

**Analytical approach:** Standalone while factoring the need-based support from the promoter group companies.

**Outlook:** Stable

The stable outlook reflects CARE's opinion that the generation levels of the project will remain in line with its P-90 levels and timely receipt of payments from its off-taker.

## Detailed description of the key rating drivers

## Key strengths

### Improved generation leading to better financial risk profile

The company has reported improvement in capacity utilization factor (CUF) to 14.41% in FY24 from 13.35% in FY23 (refers to April 01 to March 31), resulting in increase in operating income from Rs. 5.01 crore in FY23 to Rs. 5.44 crore in FY24. This was largely due to better O&M practices such as frequent cleaning and monitoring to minimise breakdowns. This, along with lower finance cost during FY24, has led to improved, albeit still moderate, debt coverage indicators. Going forward, sustenance of generation above P90 levels shall remain important from credit perspective.

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

**Long-term PPA**

SEIPL had signed a long-term Power Purchase Agreement (PPA) with Assam Power Distribution Company Limited (APDCL) for a period of 25 years for entire capacity at a tariff of Rs. 8.78/unit determined and approved by Assam Electricity Regulatory Commission for a period of 25 years from the date of commercial operation. Presence of long-term PPA at a fixed tariff provides long-term revenue visibility. The off-taker makes payment within 30 days from the receipt of the invoice.

**Escrow arrangement with defined waterfall arrangement along with maintenance of DSRA for 2 quarters of debt servicing**

The company has an escrow account maintained where the proceeds from APDCL are credited, in line with the sanctioned terms and conditions of the lender. The amount credited is first utilized towards operational expenses followed by the payments towards the due debt obligations. The remaining amount is allowed to be utilized by the company after approval of the lender. Also, as per the terms of lender, the company is required to maintain debt service reserve account (DSRA) equivalent to two quarters of debt servicing. The company has DSRA balance of Rs. 1.76 crore as on March 31, 2024, which is equivalent to stipulated requirement of the lender.

**Experienced Promoters**

SEIPL is an SPV of Peridot Power Ventures Limited which is a wholly-owned subsidiary of HPPL. HPPL was promoted to establish various power projects in thermal and solar segment as a holding company for various power projects of Hindustan Power group. The group has significant experience in the solar sector and has commissioned projects with aggregate capacity of about ~565MW, out of which ~403 MW had already been divested.

## Key weaknesses

**Relatively weak financial risk profile of the off-taker**

APDCL, the sole off-taker has a relatively weak credit profile exposing SEIPL to risk related to timely payment from the off taker. However, the payments to SEIPL are being received within 30 days as per the PPA, which provides comfort.

**Leveraged capital structure with moderate debt coverage indicators**

The capital structure of the company stood leveraged, albeit improved, with overall gearing of the company at 3.17x as on March 31, 2024, against 3.90x as on March 31, 2023, on account of accretion of profits to the net worth base and scheduled repayment of term loan. Average projected DSCR stood at a moderate 1.17 times during the tenor of loan facility.

**Exposure to climatic conditions and technological risks**

The company remains exposed to generation risks in light of lower irradiation levels being recorded in the state of Assam. Going forward, achievement of desired CUF would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks. However, on account of enhanced operations and maintenance (O&M) practices, CUF of the company stood improved at 14.41% in FY24 as against 13.35% in FY23. Nevertheless, energy generation still largely depends on the climate conditions, and remain crucial for maintaining the overall financial position of the companies.

## Liquidity: Adequate

The liquidity of the company is adequate as the company is expected to generate gross cash accruals of Rs. 2.37 crore as against a repayment obligation of Rs. 1.68 crore in FY25. The company had cash and cash equivalents of Rs. 0.38 crore as on July 31, 2024, along with DSRA equivalent to two quarters of debt servicing both interest and principal. The DSRA balance stood at Rs. 1.76 crore in form of Fixed Deposit as on March 31, 2024.

## Applicable criteria

Definition of Default
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Solar Power Projects
Factoring Linkages Parent Sub JV Group
Infrastructure Sector Ratings

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Utilities | Power | Power | Power Generation |

SEIPL, a SPV of Hindustan Power group, is promoted by Peridot Power Ventures Limited, a 100% subsidiary of Hindustan Powerprojects Private Limited. SEIPL has set-up a 5-MW solar photovoltaic (PV) power plant at Sonitpur in the state of Assam. The project achieved Commercial Operation Date (COD) on August 20, 2016. SEIPL has signed a Power Purchase Agreement (PPA) with Assam Power Distribution Company Limited (APDCL) for a period of 25 years for entire capacity at a tariff of Rs.8.78/unit.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) |
|---|---|---|
| Total operating income | 5.01 | 5.44 |
| PBILDT | 4.16 | 4.53 |
| PAT | 0.03 | 0.57 |
| Overall gearing (times) | 3.90 | 3.17 |
| Interest coverage (times) | 2.06 | 2.43 |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:**
IND B+ (INC) reported by India Ratings dated July 03, 2024. India Ratings has not received adequate information and has not been able to conduct management interaction with SEIPL while reviewing the ratings. SEIPL has also not submitted the monthly no default statement since the last 12 months.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Term Loan | | - | - | September 2034 | 16.75 | CARE BBB; Stable |

**Annexure-2: Rating history for 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 | 16.75 | CARE BBB; Stable | - | 1)CARE BBB-; Stable (05-Dec-23) | 1)CARE BBB-; Stable (18-Nov-22) | 1)CARE BBB-; Stable (23-Dec-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 instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Term Loan | Simple |

**Annexure-5: Lender details**

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|---|
| To view the lender wise details of bank facilities please click here |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



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