Suryauday Solaire Prakash Private Limited

September 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	34.95 (Reduced from 37.63)	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities considers Suryauday Solaire Prakash Private Limited (SSPPL) to be a part of a restricted group (RG) comprising Pokaran Solaire Energy Private Limited (PSEPL), Northern Solaire Prakash Private Limited (NSPPL), SSPPL, Solaire Power Private Limited (SPPL), Solairedirect Projects India Private Limited (SPIPL), Enviro Solaire Private Limited (ESPL), and Solaire Urja Private Limited (SUPL), herein referred to as Sekura RG. This is owing to the presence of an intercompany agreement between the entities. All the entities are in a similar line of business with shared management and have the benefit of pooling of surplus cash flows to service shortfall in debt servicing if any, in any of these entities.

The rating favourably factors in the low sales risk emanating from the 25 years' power purchase agreements (PPAs) with Solar Energy Corporation of India Ltd (SECI), NTPC Vidyut Vyapar Nigam Limited (NVVN) and Punjab State Power Corporation Limited (PSPCL) at a fixed tariff for the entire capacity of the respective special purpose vehicles (SPVs). The rating derives comfort from the geographical and off-taker diversification in Sekura RG and the portfolio seasoning, characterised by a capacity weighted operational track record of more than seven years. The operational profile is further augmented by healthy generation, with each SPV over-achieving the P-90 estimate consistently for most of the operational track record. The rating also factors in the strong structural features such as fixed rate of interest on the term loan availed by the SPVs till January 2026, existence of a waterfall mechanism, maintenance of a debt service reserve account (DSRA) by the lender as well as strong debt coverage indicators.

The assets under the RG continue to have a long-term operation and maintenance (O&M) agreement with ENGIE SA with a fixed escalation clause. Despite significant capacity of the RG being tied-up with PSPCL, which has a relatively weaker credit profile, the rating takes cognisance of the payment track record of PSPCL which has been timely. The rating also factors in the well-established promoter group having sizeable exposure towards the power transmission and renewable sector.

These rating strengths are, however, tempered on account of the susceptibility of power generation to variation in climatic conditions as well as technological risks. Furthermore, the SPVs remain exposed to the lower competitiveness of the tariff, especially in case of SPPL, SUPL, and SPIPL.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Faster than expected deleveraging of the portfolio.

Negative factors

- Material decline in the generation or higher-than-envisaged O&M expenses or increase in borrowing cost, leading to a sizeable deterioration in the gross cash accruals (GCA).
- Any re-negotiation of tariff with the SPVs adversely impacting the coverage metrics.
- Deterioration in the credit risk profiles of the off-takers, leading to delay in receipt of payments, thus adversely impacting the liquidity profile of the SPVs.

Analytical approach: Combined

All the seven SPVs referred to as the Sekura RG (ie, PSEPL, NSPPL, SSPPL, SPPL SPIPL, ESPL, and SUPL) are engaged in a similar line of business and have common management function. Moreover, these SPVs are also expected to have fungibility of the surplus cash post servicing of their respective debt. This is on account of an unconditional, irrevocable, enforceable inter-company agreement executed for the entire amount of the facility and for the full tenure along with a well-defined T minus structured payment mechanism. Hence, the financial and business risk profiles of these entities have been combined.

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

Outlook: Stable
The 'Stable' outlook reflects the RG's ability (including SSPPL) to sustain satisfactory generation levels, timely receipt of payments from the off-taker, and steady interest outgo in the medium term.

Detailed description of the key rating drivers
Key rating strengths
Presence of an intercompany agreement for pooling of surplus cash flows and other contractual comforts: As per the documents, the SPV requiring support or the lender's agent can call for funds from the other SPVs to meet shortfall with respect to debt repayment. All surplus cash flow available of a particular borrower after its debt servicing can be made available to support accounts of other borrowers upon receipt of support notice. The lender or lender's agent is expected to test the fund deficiency at least four days prior to the due date so as to call for timely support. This establishes reasonable cash flow fungibility among the RG. Furthermore, comfort is drawn from the presence of single lender for all the seven SPVs under the RG, which is expected to monitor shortfall requirement on a timely basis as well as initiate the prompt transfer of funds.

Notably, 63% of the contracted capacity of the RG is tied up SECI, 3% with NVVN and remaining 34% is tied up with PSPCL. The PSPCL capacity is based in Punjab, while the rest of the capacities are located in Rajasthan and Uttar Pradesh.

Revenue visibility from long-term PPAs for the entire capacity at a fixed tariff; steady collection track record: The SPVs under the Sekura RG are supplying their entire power under long-term PPAs of 25 years. The capacity-weighted average tariff is ₹5.64 per unit. The defined payment cycle is 60 days for all the PPAs, except the one with NVVN (which is 30 days). The PPAs have a provision for recovery of late payment surcharge and maintenance of revolving an irrevocable letter of credit (LC). All the off-takers have demonstrated steady payment track record in the past. Average collection days for NVVN, SECI and PSPCL were 1 day, 60 days and 70 days respectively.

Established seasoning of all the assets with healthy generation levels: The entire capacity of 166.76 MW-AC under the structure was fully commissioned and operational since April 2016. The capacity-weighted average generation track record is more than seven years. Each asset has been generating consistently above its P-90 level for the past few years. The weighted average capacity utilisation factor (CUF) was ~21.16% in FY24 (PY: ~21.90%).

Comfortable debt coverage metrics:
The tail period between the loan maturity and the expiry of the PPAs is at least five years, in case of all the seven SPVs under the RG. The average debt service coverage ratio (DSCR, assuming subordination of compulsory convertible debenture [CCD] interest pay-out) for the rated loan combined for all the entities is projected at a comfortable level. Also, the projected DSCR is higher for the SPVs having a weaker counterparty. The sanction stipulates the maintenance of a debt service reserve account (DSRA) factoring the off-taker credit profile. The interest is fixed till January 2026 which mitigates interest rate risk to some extent. Furthermore, a trust and retention account (TRA) are maintained, into which receipts from the off-taker and any other realisation from the project are deposited and payments are made in order of priority as stipulated by the lenders.

Long-term O&M contract at pre-determined price; satisfactory equipment-make and performance guarantee: The entities under the Sekura RG have entered into a 25-year O&M contract at a definite price with a fixed escalation clause with Solairedirect India LLP (part of the ENGIE SA group). ENGIE SA is an integrated energy company with a multinational presence. The SPVs under the RG have used poly-crystalline photovoltaic (PV) technology, with modules and inverters procured from reputed vendors having standard warranty and performance assurance.

Promoter group's extensive experience and investment philosophy provide financial flexibility to the SPVs: As on March 31, 2024, Edelweiss Infrastructure Yield Plus (EIYP) Fund holds 74% in all the SPVs under the Sekura RG. EIYP is a Securities and Exchange Board of India (SEBI)-registered Category-I alternative investment fund (AIF) and invests in sectors such as power transmission, renewables, roads and highways, and other infrastructure assets. The fund is positioned to acquire and manage operational assets in the infrastructure space in India with low counterparty risk, O&M costs, and high operating margins with long residual life, resulting in stable cash flows. EIYP has a portfolio of 16 operational assets in the power transmission, renewable, and road sectors. The fund has a strong capital commitment from a group of domestic and global investors. The investment team has professionals with expertise across the infrastructure sector, finance domain, risk appraisal and management.

Key rating weaknesses

Moderate counterparty credit risk: Notably, 34% of the contracted capacity of Sekura RG is tied up with PSPCL which has moderate operational and financial profile. Coupled with limited tariff hike in the past few years, PSPCL has fair dependence of subsidy with instances of delay in its receipt, which has led to a higher leverage. However, its payment track record to SPPL, SPIPL and SUPL has been largely timely in the past. The stipulation of a cash sweep mechanism by the lender in case of PPA tariff reducing below the contracted rate mitigates the risk of tariff renegotiation to some extent. Any stretch in the payment pattern or adverse impact on the tariff may have a bearing on the credit profile of Sekura RG, and thus, will remain monitorable.

Climatic and technological risks: The SPVs under Sekura RG have used multi-crystalline 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 as compared to thin-film modules. However, achievement of the desired CUF, going forward, will be subject to changes in climatic conditions, amount of degradation of modules, as well as other technological risks.

Liquidity: Strong

There is adequate headroom between the projected GCA of FY25 and FY26 vis-à-vis the scheduled debt repayments. PSEPL, NSPPL, ESPL and SSPPL are maintaining a DSRA equivalent to one quarter of debt obligation. SPPL, SUPL and SPIPL are maintaining two quarters equivalent of DSRA. As on August 07, 2024, the combined unencumbered cash and equivalent was ₹137.47 crore, which is more than the level maintained during the last rating reviews. The timely payment from all the off-takers largely mitigates the absence of working capital limit with the SPVs.

Applicable criteria

Consolidation
Definition of Default
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
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

Incorporated in March 2014, SSPPL has set up a 10.50 MW-AC solar PV project at village Khetusar, district Jodhpur, in Rajasthan. It has entered into a long-term PPA for a period of 25 years with SECI at a tariff of ₹5.45 per unit. The entire capacity is operational since April 2015.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	11.60	11.35
PBILDT	9.44	8.62
PAT	1.74	1.51
Overall gearing (times)	1.50	1.44
Interest coverage (times)	1.92	1.85

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated for this company: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 31, 2035	34.95	CARE AA; 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	-	-	-	1)Withdrawn (24-Apr-23)	1)CARE AA; Stable (20-Dec-22)	1)CARE AA (CE); Stable (03-Mar-22)
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	1)Withdrawn (20-Dec-22)	1)CARE AA (03-Mar-22)
3	Fund-based - LT-Term Loan	LT	34.95	CARE AA; Stable	-	1)CARE AA; Stable (06-Jul-23)	-	-

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

Annexure-3: Detailed explanation of covenants of the rated facilities: NA

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: 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

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About us:

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