Surajkiran Solar Technologies Limited

October 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	215.06 (Reduced from 221.41)	CARE AA-; Stable	Upgraded from CARE A+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has taken a combined approach for rating the loan facilities of Adani Solar Energy Jodhpur Two Limited (ASEJTL), Surajkiran Renewable Resources Limited (SRRL) and Surajkiran Solar Technologies Limited (SSTL) owing to the presence of an intercompany agreement between the entities. All the entities have the benefit of pooling of surplus cash flows from the individual entities to service shortfall in debt servicing if any, in any of these entities. The agreement is unconditional, irrevocable, valid for full tenure of rated debt facilities, has a well-defined T minus structured payment mechanism.

The upgrade in the rating assigned to the loan facilities of the combined entity, which is operating a solar power capacity of 150 MW takes into account the improvement in the credit risk profile of the ultimate parent i.e. Adani Green Energy Limited (AGEL) on account of satisfactory operational performance, infusion of capital by promoters through a preferential issuance along with infusion of capital by Total Energies in multiple joint ventures under AGEL. A portion of these funds are earmarked for future growth of the platform; however the group has utilised ~Rs. 6000 crore from these proceeds to repay the holdco non project debt. CARE Ratings understands that the group is unlikely to mobilise capital in the near term through non-project debt which is a credit positive event.

This alongside, the generation performance of the pooled entities has improved as reflected by Plant Load Factor (PLF) of 24.0% during FY24 as against P90 estimate of 23.1%. CARE Ratings positively factors in the receipt of past overdues pertaining to late payment surcharge (LPS) from Telangana discom in H1FY25. CARE Ratings expects the receivables to remain ~60 days for the pool.

The rating continues to draw comfort from the limited diversification of the pooled assets in two states i.e., Rajasthan and Telangana along with the presence of long-term PPAs for 100 MW (67% capacity) with Telangana discoms which provide revenue visibility. The power from the remaining 50 MW capacity is being sold on merchant basis wherein the realised tariff was ~Rs 3.9 per unit during FY24 as against the estimated tariff of Rs 3 per unit as per CARE Ratings' base case assessment. The debt protection metrics of the company are strong as reflected by average Debt Service Coverage Ratio (DSCR) being upwards of 1.50x. Further, the combined entity has a DSRA of 2 quarters as per the stipulated terms of the sanction letter.

The rating is, however, constrained due to leveraged capital structure as reflected by Total Debt/EBITDA remaining above 4.0x over the next two years as per CARE Ratings base case. The rating is adversely impacted on account of absence of firm PPA for 50 MW capacity thereby exposing this capacity to offtake risks. The rating also factors in exposure of project cash flows to adverse movement in merchant prices and interest rates. However, CARE Ratings draws comfort from the fact that interest rate is fixed for five years. Further, CARE Ratings also factors in exposure of project cash flows to adverse variations in weather conditions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Satisfactory operational performance as reflected by actual generation and collections remaining better than CARE Ratings' base case on a sustained basis
- Faster than expected deleveraging of the assets
- Improvement in the credit profile of the ultimate parent, i.e., AGEL

Negative factors

- Significant underperformance in generation, adversely impacting the cash accruals and resulting in average DSCR falling below 1.3x
- Overall receivables stretching beyond 100 days on a sustained basis
- Weakening of the credit profile of the ultimate parent, i.e., AGEL, or any change in linkages/support philosophy towards these entities

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

Analytical approach: Combined plus factoring in parent support from AGEL

CARE Ratings has applied a combined approach for the rating of loan facilities of SRRL, SSTL and ASEJTL due to the presence of an intercompany agreement between these entities for pooling of surplus cash flows to service shortfall in debt servicing if any, in any of these entities. The agreement is unconditional, irrevocable, valid for full tenure of rated debt facilities, has a well-defined T minus structured payment mechanism. Further, CARE Ratings takes into account the common lender and common promoter group for these projects.

Further, CARE Ratings factors in the parentage of the entities by virtue of these entities being a part of Adani Green Energy Group. In a 'Combined Approach', CARE Ratings evaluates the group of entities as if it were a single entity and combines the financials and business risk profiles of these entities to take a view on the ratings. SSRL and SSTL are subsidiaries of AGEL whereas ASEJTL is a step-down subsidiary engaged in similar lines of business (power generation).

Outlook: Stable

CARE Ratings believes that the combined entity would continue to benefit on account of long term PPAs with Telangana discom for 67% capacity. The operational performance of the assets is likely to remain in line with the existing trend which supports the outlook.

Detailed description of the key rating drivers:

Key strengths

Presence of a co-obligor agreement for debt servicing

The three SPVs (SRRL, SSTL and ASEJTL) of AGEL have entered into a co-obligor agreement wherein the surpluses available in one entity can be utilised for meeting shortfalls, if any in the cash flows of the other entity. CARE Ratings also factors in the presence of a structured waterfall mechanism as per the TRA documents. The first priority of the cash flows would be to meet payments of taxes and statutory dues followed by operating costs. Thereafter servicing of debt obligations shall be done and the remaining balance is to be used for maintenance of necessary reserves including DSRA and Equipment Maintenance Reserve. The surplus thereafter shall be available for meeting the shortfall if any in any of the other SPVs. The co-obligor agreement is unconditional, irrevocable, valid for full tenure of rated debt facilities, has a well-defined T minus structured payment mechanism.

Strong & resourceful parentage with established track record of operations in the renewable sector

During FY24, the credit risk profile of the ultimate parent i.e. Adani Green Energy Limited (AGEL) has improved on account of satisfactory operational performance, infusion of capital by promoters through a preferential issuance along with infusion of capital by Total Energies in multiple joint ventures under AGEL. A portion of these funds are earmarked for future growth of the platform; however, the group has utilised ~Rs. 6000 crore from these proceeds to repay the holdco non project debt. CARE Ratings understands that the group is unlikely to mobilise capital in the near term through non-project debt which is a credit positive event. AGEL is amongst the leading renewable energy companies in India having an operational capacity of ~11 GW and capacity under development of ~11 GW as of June 30, 2024.

Satisfactory operational performance with long-term revenue visibility on account of PPAs for 100MW capacity

The overall weighted average track record of the combined entity is ~6 years, of which, two projects accounting cumulatively 100MW capacity in Telangana were commissioned in 2017 having track record of 7 years and on the other hand, remaining capacity of 50MW with ASEJTL, commissioned in Sept 2020 has a track record of ~4 years. The generation levels have remained healthy since inception with weighted average TTM (Trailing Twelve Months ending June 2024) PLF of 23.84% as against estimated P90 level of 23.07%.

Receipt of LPS from Telangana Discom

During H1FY25, SRRL and SSTL received LPS amounting to ~Rs 16 crore as against the total billed amount of Rs ~Rs 20 crore from the Telangana discom. The remaining amount i.e., Rs 4 crore is pending reconciliation which is expected to be realised by FY25 end.

Limited diversification attained through presence of plants across two states

The combined entity benefits on account of diversification attained primarily through the presence of capacity across two states. A capacity of 100 MW (67%) is located in Telangana and 50 MW (33%) is located in Rajasthan.

Long term revenue visibility on account of presence of PPAs for the entire capacity

CARE Ratings factors in the presence of long term PPAs (25 years) for the 100 MW capacity (out of the total 150MW) with the weighted average tariff being ~Rs. 5.3 per unit which provides the long-term revenue visibility for the structure.

Comfortable debt coverage indicators of the project

The entities on a combined basis have comfortable debt-protection metrics as reflected by combined average DSCR being upwards of 1.50x for the tenure of the rated facility. The entities have created and maintained DSRA equivalent to 2 quarters of debt servicing obligation in accordance with the terms of the sanction. Presence of DSRA provides comfort from the credit perspective.

Key weaknesses

Presence of Offtake Risk in ASEJTL given no long term PPA along with 67% of the capacity being tied up with Telangana state utility which has a weak credit profile

ASEJTL has set up 50 MW Solar Power Project at Village Rawra, District Jodhpur, State Rajasthan having track record of around four years. ASEJTL is selling brown power on power exchanges (IEX and PXIL) at merchant rates, which exposes the company to counterparty risk and fluctuations in prices prevailing in the merchant market thereby impacting the cash accruals and debt coverage indicators adversely.

For the remaining 100MW capacity, the off taker is Southern Power Distribution Company of Telangana Limited (SPDCTL) which has a weak credit profile. However, post the implementation of LPS rules, the collection of the current dues from Telangana discom have been timely with receivables period of ~75 days as on FY24 end.

Leveraged capital structure along with exposure to interest rate risks

The capital structure of the pooled entities is leveraged on account of the debt-funded capex incurred for setting up the projects. CARE Ratings expects Total Debt/EBITDA to remain above 4.0x over the next two years. CARE Ratings notes that the interest rate applicable on the project is fixed for 5 years from the date of disbursement. However, given the fact that the loan tenor is for more than 18 years, the project is envisaged to undergo multiple rounds of interest rate revisions, thereby exposing the cashflows to long term interest rate movements.

Vulnerability of cash flows to variation in weather conditions

As tariffs are one part in nature, the company may report lesser revenues in the event of non-generation of power due to variation in weather conditions and/or equipment quality. This in turn would affect its cash flows and debt servicing ability.

Liquidity: Adequate

The liquidity of the combined entity is adequate as reflected by the available cash and bank balance of Rs 53.01 crore including DSRA of Rs 45.71 crore as on June 30, 2024. Going forward, CARE Ratings expects the generation performance to remain in-line with P-90 levels and the collection to remain timely ensuring sufficient internal accruals to service its debt obligations.

As per CARE Ratings' base case scenario, annual gross cash accruals (GCA) for FY25 is expected to be ~Rs. 44 crore as against annual repayment of ~Rs. 31 crore.

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

Surajkiran Solar Technologies Limited (SSTL) is part of Adani Green Energy Limited (AGEL), incorporated in 2015. SSTPL was earlier promoted by Skypower Holdings LLC (a Canadian Solar Firm). AGEL acquired 100% stake of SSTPL in March 2021. SSTPL operates a 50 MW solar photo PV power project at Village Namupur, District Siddipet, State Telangana. The project has been awarded under the Solar Power Policy -2015 of the state of Telangana through competitive bidding. The 50 MW project was commissioned in October 2017. SSTL has signed long term PPA with Southern Power Distribution Company of Telangana Limited (SPDCTL) to sale power generated from project; the tariff under PPA is Rs.5.26 per unit.

Brief Financials: SSTL (Standalone)

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	49.02	50.09	50.47
PBILDT	45.43	46.34	45.69
PAT	28.84	8.54	8.70
Overall gearing (times)	2.26	1.70	1.77
Interest coverage (times)	1.63	1.89	1.76

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

Brief Financials: Combined Entity

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	202.36	159.51	150.16
PBILDT	192.46	141.33	138.87
PAT	88.39	49.87	44.81
Overall gearing (times)	1.5	0.99	1.28
Interest coverage (times)	3.33	3.07	2.10

A: Audited; Note: 'the above results are latest financial results 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: 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		-	-	Mar-2039	215.06	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 (05-Sep-23)	1)CARE A; Stable (05-Jan-23)	1)CARE BBB+; Stable (07-Jan-22) 2)CARE BBB (CW with Developing Implications) (01-Apr-21)
2	Fund-based - LT-Term Loan	LT	215.06	CARE AA-; Stable	-	1)CARE A+; Stable (05-Sep-23)	-	-

*LT-Long 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-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:

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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