Solarcraft Infrastructure and Services Private Limited

November 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	78.89	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has applied a combined approach for rating the bank facilities of AMPL Cleantech Private Limited (ACPL), Celestial Solar Solutions Private Limited (CSSPL), Narbheram Solar TN Private Limited (NSTNPL), NVR Energy Private Limited (NEPL), Solarcraft Infrastructure and Services Private Limited (SISPL), Solarcraft Mahasolar Private Limited (SMPL, erstwhile NVR Mahasolar Private Limited), NVR Renew Private Limited (NRPL) and RDA Energy Private Limited (REPL), herein referred to as Blupine RG, on account of the presence of an inter-company agreement for 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 irrevocable, valid for the full tenor of the rated debt facilities.

The rating reaffirmation on the bank facilities of the combined entity, which is operating 356 MW AC (404 MWp) solar plant factors in long weighted average track record of ~6 years and satisfactory operational performance wherein the generation has been broadly in-line with the P-90 estimates as reflected by weighted average PLF of 19.15% for FY24 and 19.88% for Q1FY25 as against P-90 estimates of 19.33%.

The rating continues to factor in the long-term Power Purchase Agreement (PPA) for 25 years from COD with multiple central & state counterparties at an average tariff of Rs. 4.36 per unit. Further, the RG structure also benefits on account of geographical and offtakers diversification as the assets are spread across six states in the country and ~72% of the capacity is tied up with the weaker counterparties and the remaining is tied up with moderate to strong counterparties. Furthermore, the rating continues to incorporate strong parentage by virtue of SPVs in the RG being subsidiaries of Blupine Energy Private Limited (BEPL). BEPL is the RE platform promoted and wholly owned by AE-5 for setting up wind, solar, and battery power projects in India. Given Actis' successful past track record of managing various funds in India (with considerable investments in renewable energy), the Blupine RG is expected to have strong managerial, financial and operational linkages with the parent.

The rating is however constrained due to leveraged capital structure on account of the top up debt availed through refinancing in FY23 thereby moderating projected debt service coverage ratio (DSCR). Going forward, Total Debt / EBITDA is expected to be range-bounded between 6.1-6.5x over the next three years. Further, the RG is exposed to counterparty related risks as ~72% of the capacity under the portfolio is contracted with state discoms which have weak credit risk profiles. The rating continues to factor in exposure of project cash flows to adverse variations and interest rate fluctuation risk given the single part tariff of the project whereas the financing is based on floating interest rate.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Higher-than-envisaged generation on a sustained basis along with better-than-base case coverage and leverage metrics.
- Improvement in credit profile of parent. Ie. BEPL
- Improvement in credit risk profile of off-takers (excluding central counterparties)
- Faster than expected deleveraging of the assets

Negative factors

- Lower-than-envisaged generation or increase in borrowing cost significantly impacting the debt coverage indicators.
- Significant deterioration in the credit profile of the promoter or dilution in its support philosophy towards its SPVs.
- Deterioration in credit risk profile of the off-takers leading to elongation in receivable period beyond 210 days, adversely impacting the liquidity of the RG
- Slower than expected deleveraging of the assets

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

Analytical approach: CARE Ratings has applied a combined approach for rating the debt facility of the entity, on account of the intercompany agreement for 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 irrevocable, valid for the full tenor of the rated debt facilities and is characterised by the presence of t-minus structured payment mechanism clause between all the 8 entities.

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. All the 8 entities are subsidiaries of BEPL and are engaged in similar lines of business.

Further, CARE Ratings has notched up the rating factoring in the parentage of BEPL. CARE Ratings opines that the assets under RG holds strong importance for the parent because of strategic reason. Hence the rating of Blupine RG has been notched up factoring in support from BEPL.

Outlook: Stable

CARE Ratings believes that the Blupine RG would continue to benefit from the presence of long term PPAs for the portfolio under the RG. The operational performance of the assets and payment from counter parties is likely to remain in line with the existing trend which supports the outlook.

Detailed description of the key rating drivers:

Key strengths

Firm investment commitment of the Actis platform along with managerial experience underpins support: BEPL, which directly / indirectly holds the entire stake in these 8 SPVs, is a renewable energy platform promoted by Actis Capital LLP (Actis) for setting up of wind, solar and battery storage power projects in India. BEPL has strong financial backing in the form of US$ 800 million capital commitment from AE-5. Actis has a successful track record of developing, operating and sell-off of sizable renewable portfolios in the past. Given BEPL's aggressive growth plans in India, Blupine RG's status as its foundation portfolio and Blupine RG's ability to generate consistent cash flow, the 8 SPVs are expected to benefit from the operational linkages with its parent.

Long-term revenue visibility on account of presence of PPAs for the entire capacity: The SPVs have entered into PPAs for off take of 355.56 MWAC for a period of 25 years from COD at fixed tariff of ₹ 4.36/unit (capacity weighted average) which is fairly competitive and provides long-term revenue visibility for the Blupine RG.

Existence of geographical and off-taker diversification: The RG structure benefits on account of geographical diversification as the installed capacity is spread in six states viz. Tamil Nadu (56%), Maharashtra (14%), Madhya Pradesh (11%), Karnataka (8%), Rajasthan (6%) and Telangana (4%) mitigating asset concentration risk to some extent. The off-taker profile is also diversified comprising seven counterparties i.e., Tamil Nadu Generation and Distribution Corporation (TANGEDCO, 56%), M.P. Power Management Company Limited (MPPMCL, 11%) Solar Energy Corporation of India (SECI, 17%), NTPC Vidyut Vyapar Nigam Limited (NVVN, 3%) Telangana State Southern Power Distribution Company Limited (TSSPDCL, 4%), Bangalore Electricity Supply Company Limited (BESCOM, 6%), and Mangalore Electricity Supply Company Limited (MESCOM, 3%). During FY24, 25% of the PBILDT was contributed by projects having strong counterparty (ie. SECI or NVVN).

Reasonable operational track record: The operational track record of the RG varies between 4.7 to 11.3 years, with entire capacity having a weighted average track record of around 6 years. On an overall basis, the generation performance of the portfolio stood at 19.15% for FY24 vis-à-vis 19.0% for FY23 and P90 PLF estimate of 19.33%. The RG entities have envisaged capital expenditure for repowering of certain assets from internal accruals. While repowering has been completed for certain assets, the same for remaining assets is expected by FY2025 which will improve the generation to some extent in future.

Presence of a co-borrower arrangement for assets under the RG: The 8 SPVs of have formed an RG wherein these entities would be jointly and severally servicing the combined debt obligations. The shortfall in meeting the debt obligations by one entity shall be met through surplus cash flows from the other entities in the structure. The agreement is irrevocable, valid for the full tenor of the rated debt facilities and is characterised by the presence of t-minus structured payment and invocation mechanism between all the 8 entities.

Key weaknesses

Moderate financial risk profile of off-takers The RG is exposed to counterparty related risks as ~80% of the capacity under the portfolio is contracted with state discoms which have moderate to weak credit risk profiles. The average collection period of the portfolio was 125 days in FY24 (PY: 148 days). Nonetheless, the current receivable cycle remains comfortable as the payments are being cleared within 30-90 days of raising an invoice for almost all the off takers along with clearing of past dues. As TANGEDCO and TSSPDCL have opted to liquidate the over dues as per EMI scheme defined in the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, collection efficiency of the RG has improved to some extent recently.

High leverage on account of top up debt with moderate debt coverage indicators: The capital structure of the RG is leveraged on account of the top up debt availed through refinancing in FY23 thereby moderating projected debt service coverage ratio (DSCR). Moreover, the EBITDA of the RG was impacted in FY2024 due to onetime repair and maintenance and legal expenses towards acquisition of assets from erstwhile promoters which impacted the debt coverage indicators. Going forward, Total Debt / EBITDA is expected to be range-bounded between 6.1-6.5x over the next three years.

Vulnerability of cash flows to variation in weather conditions: As tariffs are one part in nature, the company may book 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 RG is adequate, as reflected by free cash and bank balances of around Rs. 129 crore and DSRA of ~Rs. 5 crore in the form of FDs and ~Rs. 105 crore in the form of BGs on a combined basis as on October 2024 end. As per sanction, DSRA requirement ranges from 1-3 quarters of debt servicing and has been maintained primarily in form of BG. Going forward, CARE Ratings expects the generation performance of assets to be in-line with the existing trend and collections to improve. The internal accruals from the structure are expected to be adequate to service its proposed debt obligations.

As per CARE Ratings' base case, gross cash accruals (GCA) for FY25 and FY26 is expected to be rangebound between ~Rs. 100 crore to ~Rs. 101 crore as against the annual repayments of ~Rs. 61 crore and ~Rs. 66 crore respectively.

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

Incorporated in July 2009, Solarcraft Infrastructure and Services Private Limited operates 10 MW grid interactive solar power plant based on dual Photovoltaic (PV) technology i.e. Crystalline Silicon and Thin Film at Bikaner district of Rajasthan. The plant was successfully commissioned on- February 25, 2013 under Batch II of Phase I of Jawaharlal Nehru National Solar Mission (JNNSM). The project has been set up at a cost of Rs.103 crore funded in the debt equity ratio of 2.33:1. The company has entered into PPA with NVVNL, a wholly owned subsidiary of NTPC Ltd to supply power at a rate of Rs.9.16 per unit for the period of 25 years.

Financial Performance - Combined

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	254.00	253.00
PBILDT	188.00	214.00
PAT	-336	-38.00
Overall gearing (times)	8.48	14.95
Interest coverage (times)	0.37	1.05

A: Audited Note: these are latest available financial results

Financial Performance - NISPL

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	14.67	13.63
PBILDT	12.81	11.31
PAT	5.10	2.15
Overall gearing (times)	1.08	1.56
Interest coverage (times)	3.26	1.45

A: Audited Note: these are latest available financial results

Status of non-cooperation with previous CRA: NISPL has not cooperated with India Ratings, which has classified it in the 'non-cooperative category' vide its press release dated July 24, 2024.

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-Cash Credit		-	-	-	2.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	March 2035	76.89	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*	-	-	-	1)Withdrawn (09-Oct-23)	1)CARE A (RWD) (14-Feb-23) 2)CARE A (RWD) (27-Dec-22) 3)CARE A (CW with Developing Implications) (03-Oct-22)	1)CARE A; Stable (06-Oct-21)
2	Fund-based - LT-Term Loan	LT*	76.89	CARE A-; Stable	-	1)CARE A-; Stable (09-Oct-23)	1)CARE A-; Stable (14-Feb-23)	-
3	Fund-based - LT-Cash Credit	LT*	2.00	CARE A-; Stable	-	1)CARE A-; Stable (09-Oct-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-Cash Credit	Simple
2	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:

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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