PSPN Synergy Private Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	24.00 (Reduced from 34.29)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to the bank facilities of PSPN Synergy Private Limited (PSPL) derive strength from the overall financial risk profile of the company characterised by sustained improvement in capital structure and debt coverage indicators during FY24 (refers to April 01 to March 31) on account of sustained, although moderating, operational track record of more than seven years and availability of Debt Service Reserve Account (DSRA) of Rs. 6 crore in place which is sufficient to service debt servicing obligations for two quarters. The ratings continue to take comfort from long-term Power Purchase Agreement (PPA) with Uttar Pradesh Power Corporation Limited (UPPCL) at a fixed tariff rate for the entire capacity providing long term revenue visibility, presence of escrow arrangements with lender for debt repayment and timely receipt of payments from the off taker.

However, rating continues to remain constrained by the moderation in operational performance during FY24, counterparty credit risk on account of relatively weak financial risk profile of the off-taker UPPCL, limited experience of promoters in renewable space and exposure to climatic conditions and technological risks. Further, rating takes cognizance of funds moved to sister concern in the form of unsecured loans for executing expansion plans within that entity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Achievement of CUF in line with its P-90 levels on a sustained basis along with improvement in coverage indicators with average DSCR above 1.35x on a sustainable basis.
- Faster than expected deleveraging of the asset.

Negative factors

- Delay in receipt of payments from the off-taker viz. UPPCL leading to elongation in receivable cycle beyond 4 months.
- Significantly lower than envisaged PLF levels negatively impacting the debt servicing indicators.
- Inability of the company to meet required covenants as per the sanctioned terms leading to breach in terms of financing agreements.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') opinion that the generation levels of the project will remain close to its P-90 levels and the timely receipt of payments from its off-taker.

Detailed description of key rating drivers:

Key strengths

Improvement in overall financial risk profile of the company

The company has reported sustained improvement in the overall financial risk profile characterised by improvement in its capital structure and debt service indicators during FY24. The overall gearing of the company improved to 0.63x as on March 31, 2024, from 0.81x as on March 31, 2023, owing to scheduled repayment of term loan and simultaneous increase in the networth base of the company due to accretion of profits. The debt coverage indicators of the company also improved with interest coverage and TD/PBILDT of 2.32x and 2.43x respectively as on March 31, 2024 as against 2.25x and 2.65x respectively as on March 31, 2023. During FY24 company transferred surplus funds from PSPL, of ~Rs. 7.6 crore to it's sister concern "Sigma Metal & Castings Private Limited" for expansion within that entity, leading to moderation in adjusted overall gearing to 0.73x during FY24, which still continues to remain comfortable.

Sustained satisfactory operational track record of more than seven years along with the timely receipt of payment

The project has a satisfactory operational track record of more than seven years post commissioning in May 2017. The company has reported satisfactory generation levels over the past seven fiscals, with the project achieving a net capacity utilisation factor

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

(CUF) of 18.42% during FY24. Although the same was below the P-90 CUF level of 20.01%, and also moderated significantly from FY23 level of 19.57% (due to unfavourable weather conditions), however financial profile continued to remain satisfactory. Further, the company has a satisfactory track record of the timely receipt of payments from the off taker.

Long-term off-take arrangement with UPPCL in the form of PPA at an agreed fixed tariff rate
As per terms of the long-term PPA signed in December 2015, the company is supplying power to UPPCL at a fixed tariff rate of Rs.7.02 per unit, for a contracted tenure of 12 years under Uttar Pradesh Solar Power Policy, 2013. The tariff will be jointly paid by Uttar Pradesh New & Renewable Energy Development Agency (UPNEDA) and UPPCL. With a long term off-take arrangement, the company has a long-term revenue visibility. Considering the duration of PPA of 12 years till May 25, 2029, the repayment period for term loan is kept till December 31, 2027, thereby providing comfort over the maturity alignment for revenue visibility and debt repayment.

Escrow arrangement for debt repayment along with maintenance of DSRA for 2 quarters of debt servicing
In line with the sanctioned terms and conditions of the lender, there is an Escrow account maintained where proceeds from UPPCL are credited and the amount credited is first utilized towards operational expenses followed by the payment of debt servicing obligations and then, the remaining amount is allowed to be utilised by the company. Moreover, as per the terms of lender, the company is maintaining an amount of Rs. 6.00 crore equivalent to 2 quarters of debt servicing as DSRA in line with the sanction terms.

Key weaknesses

Weak financial profile of the off-taker UPPCL
The company is exposed to counterparty credit risk related to its off-taker UPPCL, which has a weak financial profile on account of weak financial risk profiles of the UP state discoms (buyer of the power from UPPCL) marked by significantly stretched receivable and payable days, leveraged capital structure, weak cost coverage ratio and high AT&C losses. However, the company has been receiving payment in timely manner from UPPCL within 30 days, during the last 20 months (except one instance where payment was received in 31 days in May-23) ended November 30, 2024. Therefore, going forward, the timely receipt of payment is crucial for repayment of debt and would be key rating sensitivity.

Exposure to climatic conditions and technological risks
Achievement of desired CUF going forward would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks. However, the track record of poly-crystalline modules has been satisfactory so far in India.

Limited experience of promoters in renewable space
The affairs of the Company are managed by the directors – Mr Navin Jain, Mr Naresh Kumar Jain, Mr Navneet Jain & Ms Shreya Garg. Mr Naresh Kumar Jain and his son, Mr Navin Jain, have over two decades of experience in the iron & steel industry. However, PSPL has been their first venture in the renewable energy segment. Therefore, despite possessing entrepreneurial experience of about 2 decades, the promoters hold limited vintage in setting up and operating renewable projects. This may restrict their ability to undertake operation and maintenance of the plant, in case of any requirement.

Liquidity: Adequate

The liquidity of PSPL is adequate with the expected gross cash accruals of ~Rs. 8.84 crore against repayment obligations of Rs. 6.86 crore for FY25. The company as per the requirement of the lender has maintained DSRA of Rs. 6.00 crore as on December 30, 2024. Additionally, the company also has sufficient free investments of ~Rs. 7.00 crores as on December 30, 2024, which is kept in the form of Fixed deposits providing additional cushion to its liquidity.

Applicable criteria

Definition of Default
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

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

PSPN Synergy Pvt Ltd is a special purpose vehicle, promoted by its group companies, namely, Shree Radhey Radhey Ispat Pvt. Ltd., Sigma castings Ltd and Kundan Castings Pvt Ltd, for undertaking the installation & operation of a Solar PV Power Plant in Jalaun, Uttar Pradesh. The company had successfully commissioned the 15MW AC plant on May 25, 2017 & supplying power to Uttar Pradesh Power Corporation Limited (UPPCL) at an agreed fixed tariff rate of Rs.7.02 per unit, for a contracted tenure of 12 years.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	18.91	18.49
PBILDT	14.13	12.68
PAT	3.66	2.59
Overall gearing (times)	0.81	0.63
Interest coverage (times)	2.25	2.32

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

Status of non-cooperation with previous CRA: Not Available

Any other information: Not Available

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		-	-	December 2027	24.00	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	24.00	CARE BBB; Stable	-	1)CARE BBB; Stable (19-Jan-24)	1)CARE BBB-; Stable (01-Dec-22) 2)CARE BBB-; Stable (01-Apr-22)	-

LT: Long term

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

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

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.

Contact us

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About us:
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