Vayudoot Solarfarms Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	60.48 (Reduced from 65.00)	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Vayudoot Solarfarms Limited (VSL) derives comfort from its resourceful promotor group, satisfactory operational track record of its solar power plant for more than seven years and assured revenue visibility on account of presence of a power purchase agreement (PPA) at a fixed tariff for 25 years with The Northern Power Distribution company of Telangana Limited (TSNPDCL) for its entire capacity.

The rating also takes cognisance of stable scale of operations and profitability with satisfactory Capacity Utilization Factor (CUF) levels, adequate liquidity in form of debt service reserve account (DSRA), healthy tail period of around nine years, satisfactory debt coverage indicators and presence of escrow mechanism.

The above rating strengths are, however, partially offset by the weak credit profile of its off-taker, moderate collection period, susceptibility of VSL's power generation to variation in climatic conditions, grid availability and technological risks and moderately leveraged capital structure along with interest rate fluctuation risk given the fixed tariff rate.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in operating performance resulting in improved debt coverage metrics, as reflected by an average Debt service coverage ratio (DSCR) of above 1.30 times.
- Faster than expected deleveraging of the asset.

Negative factors

- Reduction in CUF levels below 17.00% on sustained basis leading to deterioration in DSCR below 1.15 times.
- Delay in receipt of payments from TSNPDCL beyond 150 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that VSL will continue to maintain its financial risk profile and benefit from its resourceful promotor group, satisfactory CUF levels, and long term PPA with TSNPDCL.

Detailed description of key rating drivers:

Key strengths

Resourceful promoter group

Ahmedabad-based Zaveri group acquired VSL from Suzlon Energy Limited (SEL) in October 2022 through its group entities Zaveri Power LLP (ZPLLP) and Aries Renewable Private Limited (ARPL). ARPL is promoted by ZPLLP (99% stake) and ZPLLP is promoted by the group's flagship entity, Zaveri & Company Private Limited (ZCPL; 52% stake, rated CARE A-; Stable/CARE A2+). ZCPL is engaged in the trading of precious commodities, gold refining, manufacturing and export of gold jewellery, trading and investing in shares and mutual funds, and electricity generation.

Zaveri group has executed various solar power projects on EPC basis for third parties as well as for its group companies and also has a moderate renewable energy portfolio of more than 125MW in the states of Gujarat, Punjab, Karnataka, Delhi, Madhya Pradesh (MP), Haryana, Rajasthan, Chhattisgarh, Uttarakhand and Maharashtra.

Established operational track record along with assured revenue visibility via long-term PPA

VSL has signed a long-term PPA with TSNPDCL for supply of 15-MW power in February 2016 for a period of 25 years from scheduled commencement of operations date (SCOD; June 2017). TSNPDCL purchases power at a tariff of Rs. 5.5171/kilo watt hour (kwh) for delivered energy corresponding to less than or equal to 25% CUF. For delivered energy above 25% CUF, the applicable tariff shall be equivalent to 50% of quoted tariff. The long-term PPA ensures assured offtake and cash flow sustainability.

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

Stable scale of operations backed by satisfactory CUF levels along with healthy profitability
During FY24 (FY refers to period from April 01 to March 31), VSL's TOI stood stable at Rs.15.74 crore (PY: Rs.15.86 crore) despite nil management consultancy income being booked (PY: Rs.1.93 crore) owing to improved generation levels. In 8MFY25, VSL has reported marginal deterioration in power generation marked by CUF of 19.74% (8MFY24: 21.14%; FY24: 21.52%; FY23: 19.91%) on account of adverse climate conditions.
VSL's PBILDT margin improved to 93.64% during FY24 (PY: 90.56%) on account of lower admin and maintenance expenses. PAT margin, however, reduced by 1366 bps on a y-o-y basis to 22.91% during FY24 (PY: 36.57%) as previous year's PAT included non-operating income of Rs.5.53 crore in form of sundry balance written back and receipt of liquidated damages.
VSL reported healthy gross cash accruals of Rs.10.75 crore in FY24 (Rs.13.37 crore in FY23).

Stable Industry outlook
Over the years, the renewable energy industry has benefitted on account of the government's strong policy support, India's largely untapped potential, the presence of creditworthy central nodal agencies as intermediary procurers, and the improvement in tariff competitiveness. There has been a significant traction in solar power installations in India over the past few years as well Going forward, with India setting up an ambitious target of achieving 450 GW renewable capacity by 2030, the regulatory framework is expected to remain supportive which augurs well for the industry. Nevertheless, challenges in terms of elevated landed cost of modules, turbines, and other ancillary products remain the key challenges for the industry. This apart, impediments in the acquisition of land and the availability of transmission infrastructure also remain key bottlenecks.

Key weaknesses

Exposure to counterparty credit risk
The company's operations remain exposed to the counterparty credit risk of TSNPDCL, as it is the sole off taker. The credit profile of TSNPDCL remains modest owing to inadequate tariffs in relation to its cost of supply and the high subsidy dependence. Post implementation of government schemes like PRAAPTI (Payment Ratification and Analysis in Power procurement for bringing Transparency in Invoicing of generators) and LPS (Late Payment Surcharge) scheme in June 2022, the average collection period, which was more than 200 days previously, has reduced to less than 90 days; albeit continues to remain moderate. Average collection period in 8MFY25 was ~87 days. Timely collection of payments from TSNPDCL on a sustained basis will be a key rating monitorable from the credit perspective.

Moderate capital structure; albeit satisfactory debt coverage indicators
The capital structure of VSL is moderately leveraged marked by overall gearing of 1.71x (PY: 2.09x) as on FY24 end. The debt coverage indicators remained satisfactory, marked by a PBILDT interest coverage of 2.58x (PY: 2.19x) during FY24. Further, VSL reported Total Debt to PBILDT of 3.91x (PY: 2.19x) and TD to gross cash accruals (GCA) of 5.36x (PY: 4.75x) as on FY24 end.
The capital structure as well as the debt coverage metrics are likely to improve in the medium term owing to accretion of profits to reserves and scheduled repayment of term debt. Average DSCR is expected to remain around 1.20x during tenor of loan.

Exposure of the project towards climatic conditions and technological risk
The CUF level of a solar power plant primarily depends upon solar radiation levels, climatic conditions, degradation of modules and technology used (Poly crystalline technology). Consequently, although the modules and other equipment have been sourced from reputed suppliers, the technological risk persists for the project duration.

Interest rate risk
Considering the term loan availed is on a floating rate basis and the power tariff with TSNPDCL is fixed, VSL's profitability remains exposed to any upward revision in interest rates.

Liquidity: Adequate

The liquidity of VSL is adequate on account of satisfactory CUF level and receipt of payments majorly within 90 days of submission of monthly bills as against interest and principal repayment obligation payable quarterly. Further, the project has a comfortable tail period of around 9 years and company has also created a DSRA of Rs.6 crore which is higher than the stipulated requirement of two quarters of debt servicing obligations (Interest and principal) in the form of fixed deposits (FD). VSL has free cash and bank balance of Rs.0.47 crore as on March 31, 2024. Cash flow available for debt servicing is expected to be around Rs.12-13 crore in FY25-27 which is adequate to cater its debt obligations (including interest) of around Rs.9-10 crore during that period. With defined cash flow mechanism in place through escrow account and maintenance of DSRA, liquidity is envisaged to remain adequate in the medium term.

Applicable criteria

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

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

Suzlon Energy Limited via its subsidiary Vayudoot Solarfarms Limited (VSL) developed a 15 MW (MW) Solar Photo Voltaic project at Nirmal District, Telangana. In October 2022, VSL was acquired by Ahmedabad based Zaveri group.
VSL has entered into a long-term PPA with The Northern Power Distribution company of Telangana Limited (TSNPDCL) for supply of entire power generated for a period of 25 years. The plant commenced operations from June 2017.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	18.83	16.36	9.72
PBILDT	17.34	15.36	NA
PAT	5.80	3.61	NA
Overall gearing (times)	2.11	1.71	NA
Interest coverage (times)	2.64	2.68	NA

A: Audited UA: Unaudited; NA: Not Applicable; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

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
Term Loan-Long Term		-	-	December 2032	60.48	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	Term Loan-Long Term	LT	60.48	CARE BBB+; Stable	-	1)CARE BBB+; Stable (09-Feb-24)	-	-

LT: Long 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	Term Loan-Long Term	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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