Tornado Solarfarms Limited

February 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	77.61 (Reduced from 82.94)	CARE AA-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on the bank facilities of Tornado Solarfarms Limited (TSL), which is operating a 20-MW AC solar power project in the state of Maharashtra, continues to derive strength from the low sales risk associated with its long-term power purchase agreement (PPA) at a fixed tariff with a strong offtaker. The rating continues to draw comfort from TSL's long operational track record of over seven years with improved plant availability leading to stability in generation performance, over the past two years period. The company reported a plant load factor (PLF) of 23.5%, against 20.4% in FY23, which was higher than the P90 estimates of 23.1%. Further, the company reported a PLF of ~21.4% in H1 FY25, against ~ 22.2% in H1 FY24, and a robust plant availability of over 99% over the past 12 months. Going forward, CARE Ratings Limited (CARE Ratings) expects the generation to remain in line with the P90 estimates, with the assumption of no issues surfacing with respect to plant availability.

The rating also factors in the strong credit profile of the offtaker, Solar Energy Corporation of India Limited (SECI), evidenced by consistent and timely collections, which provides revenue visibility. This apart, the liquidity profile of the company is expected to remain adequate with comfortable debt service coverage ratio (DSCR) of ~1.3x and supported by presence of a debt service reserve account (DSRA) equivalent to two-quarter of debt servicing. Besides, the quality of module and equipment-make, the presence of an experienced operations and maintenance (O&M) contractor, viz, Param Renewable Energy Private Limited, and the fixed rate of interest for remaining tenor of the debt continue to be the credit positives. Furthermore, the rating benefits from the expertise and resources of its parent company, Apraava Energy Private Limited (AEPL), which is backed by the CLP Group and CDPQ.

The above-mentioned strengths are, however, tempered by the refinancing risk on account of the bullet repayment at the end loan tenure due in March 2026. However, the presence of the sufficient tail period along with the strong coverage metrics act as mitigates refinancing risk to an extent. The capital structure has remained leveraged, as reflected by total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) of ~6.5x as on FY24 end. Going forward, per CARE Ratings' base case, the capital structure will continue to remain leveraged with TD/EBITDA multiple expected to remain above 6.0x over the next few years. Additionally, the rating is constrained by land-related issues between the original project engineering, procurement, and construction (EPC) contractor, Suzlon Energy Limited (SEL), and the previous landowners. These issues have led to reduced plant availability, affecting power generation levels in past. While management has indicated that the most recent land-related issues has been resolved, sustained stability in machine availability and generation remains a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Generation levels consistent with the envisaged P-90 level with sustained collection cycle leading to sustained improvement in coverage metrics and liquidity.
- Faster than expected deleveraging of the asset

Negative factors

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- Lower-than-envisaged CARE Ratings' base case capacity utilisation factor (CUF) level on a sustained basis, resulting in the weakening of the average DSCR to less than 1.15x
- Deterioration in the credit risk profile of the offtaker or consistent delay in receipt of payments from the off-taker, viz, SECI, with receivables cycle beyond six months, leading to deterioration of liquidity profile
- Deterioration in the credit profile of the Indian parent, viz, AEPL or dilution in its support philosophy.

Analytical approach: Standalone, along with factoring in linkages with the parent entity, viz, AEPL

[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 on the CARE AA- rating of TSL reflects CARE Ratings' opinion that the company would benefit from its long-term PPA with SECI. Expectations of satisfactory generation and collection performance support the outlook.

Detailed description of the key rating drivers:

Key strengths

Long-term off-take arrangement with strong offtaker; SECI
TSL has entered into a long-term PPA with SECI for the supply of power at a fixed tariff of Rs 4.11 per unit for a period of 25 years, under the Jawaharlal Nehru National Solar Mission (JNNSM) Phase-II Batch-III scheme of the Central Government. The presence of a long-term PPA with a strong counterparty at a fixed tariff provides long-term revenue visibility.

SECI, set up in 2011, is under the administrative control of the Ministry of New and Renewable Energy (MNRE) as an implementation and facilitation institution dedicated to the solar energy sector. SECI has been designated as an implementing agency for many of the Government of India's (GoI's) schemes. SECI has been included as a beneficiary in the tri partite agreement (TPA) to be executed between the Central Government, the state governments, and the Reserve Bank of India (RBI). The TPA insulates SECI from payment delays by discoms of the signatory states and Union Territories (UTs). Furthermore, the track record of payments to SECI by most of the discoms over the past more than three years has been regular. This mechanism will, in turn, ensure timely payments to the power suppliers by SECI. TSL has been receiving payments within 70-75 days from the offtaker, i.e., within the additional grace period of 30 days, as per the PPA terms. Furthermore, the presence of a letter of credit (LC) equivalent to one month as payment security equivalent of one month of receivables from the offtaker provides additional comfort.

Long operational track record of seven years
TSL has set up a 20-megawatt (MW) (AC)/27.60 MW (DC) solar power project at villages Bhamer and Saltek in the Sakri taluka, of the Dhule district in Maharashtra. The project was fully commissioned on October 10, 2017. The plant now has an operational track record of more than seven years. The company reported a plant load factor (PLF) of 23.5%, against 20.4% in FY23, which was higher than the P90 estimates of 23.1%. Further, the company reported a PLF of ~21.4% in H1 FY25, against ~ 22.2% in H1 FY24, and a robust plant availability of over 99% over the past 12 months. Going forward the generation is expected to remain in line with the P90 estimates, with the assumption of no issues surfacing with respect to plant availability.

Experienced promoters and management, strong parentage
TSL is a wholly owned subsidiary of AREPL, which is a 100% subsidiary of AEPL. AEPL acts as the holding company in India, with 50:50 shareholding by CLP and CDPQ. As on March 31, 2024, the Apraava group had an operational renewable capacity of around 1,384 MW (1,134MW: wind, 250MW: solar). Apart from renewable projects, the group has exposure towards a thermal power project of 1,320 MW operational in Haryana and two power transmission projects (a 240-km intrastate line in Madhya Pradesh and a 254-km interstate line in Northeast India). Going forward, the group's key focus in India will be towards expansion in the renewable energy segment. CLP is an investor and operator in the Asia-Pacific energy sector, with investments in Hong Kong, Mainland China, India, Southeast Asia, Taiwan, and Australia, which spans the energy supply chain. In addition to a diversified portfolio of generating assets that use a wide range of fuels, including coal, gas, nuclear and renewable sources, the group also has operations in the transmission, distribution, and retail of energy, and offers smart energy services. CLP's business spans every major segment of the energy value chain, including retail, transmission, distribution, and a diversified portfolio of electricity generation assets. CDPQ is a global investment group, managing funds for public retirement and insurance plans. The pension fund is active in major financial markets, private equity (PE), infrastructure, real estate, and private debt.

Key weaknesses

Exposure to refinancing risk
The company has a five-year term loan under the partial amortising structure along with bullet repayment to the tune of Rs 74.94 crore (including scheduled repayment of March 2026 quarter) of the term loan. Therefore, the project is exposed to refinancing risk at the end of the tenure. Nevertheless, the project has a tail period of 16.5 years, and the presence of a strong promoter and offtaker, mitigates the refinancing risk to an extent.

Leveraged capital structure, however, supported by comfortable debt coverage indicators:
The capital structure has remained leveraged, as reflected by TD/EBITDA of ~6.5x as on FY24 end. Going forward, per CARE Ratings' base case, the capital structure will continue to remain leveraged with TD/EBITDA multiple to remain above 6.0x over the next few years. However, CARE Ratings expects project's coverage to remain healthy with cumulative DSCR being around 1.3x for the term debt tenure.

Liquidity: Adequate

As on October 31, 2024, TSL has a surplus cash and bank balance of ₹12.50 crore. Additionally, TSL has a DSRA balance of ₹6.10 crore created in the form of a BG, which is equivalent to two quarters of debt servicing obligations.

As per CARE Ratings' base-case scenario, the adjusted gross cash accruals (GCA) for FY25 and FY26 are expected to be ~Rs. 23- 27 crore against annual repayments of ~Rs. 22 crore & Rs.19 crore respectively.

Applicable criteria

Policy on Default Recognition
Liquidity Analysis of Non-financial sector entities
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Infrastructure
Solar Power Projects
Notching by Factoring Linkages in Ratings
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

TSL is operating a 20-MW AC polycrystalline-based solar power project in villages Bhamer and Saltek in the Sakri taluka of the Dhule district, Maharashtra. TSL was initially set up by SEL, however, AEPL, through its wholly owned subsidiary, AREPL, acquired 100% ownership in TSL in November 2018. The company is supplying power under a PPA signed with SECI for 25 years at a fixed tariff. The project was set up at a cost of ₹123.51 crore (₹6.17 crore per MW) and was fully commissioned in October 2017.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	15.13	17.44
PBILDT	12.74	13.60
PAT	0.79	2.42
Overall gearing (times)	9.39	7.18
Interest coverage (times)	1.73	1.90

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 along with Rating Outlook
Fund-based-Long Term		-	-	31-Mar-2026	77.61	CARE AA-; 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-Long Term	LT	77.61	CARE AA-; Stable	-	1)CARE AA-; Stable (07-Dec-23)	1)CARE AA-; Stable (21-Oct-22)	1)CARE AA; Stable (11-Aug-21)

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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