PLG Photovoltaic Private Limited (Erstwhile PLG Photovoltaic Limited)

November 06, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	141.71 (Reduced from 180.00)	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Total Facilities	141.71 (Rs. One Hundred Forty-One Crore and Seventy-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to the bank facilities of PLG Photovoltaic Private Limited (PLGPPL, Erstwhile PLG Photovoltaic Limited) takes into account healthy generation levels in FY20 (refers to the period April 1 to March 31) and 6MFY21 (refers to the period April 1 to September 30) with generation levels consistently better than P90 estimates, healthy operational track record of around 8.75 years, timely receipt of payments from the off-taker on continuous basis along with comfortable liquidity profile through built-up of various reserves including Debt Service Reserve Account (DSRA) equivalent to 2 quarters of debt servicing, inverter replacement reserve and O&M reserve.

Further, the rating continues to derive strength from long-term power purchase agreements (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL, rated CARE AA-; Stable/CARE A1+) and relatively strong financial risk profile of the off-taker.

The rating is, however, constrained on account of moderate debt coverage indicators, exposure to climatic and technology risks and interest rate fluctuation risk.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Generation level better than P-50 CUF of 17.74% (applicable for FY21 along with annual degradation) on a sustainable basis
- Improvement in credit risk profile of the off-taker viz. GUVNL

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Generation levels lower than P-50 levels of 17.74% (applicable for FY21 along with annual degradation) leading to lower cash accruals impacting the debt coverage indicators
- Delay in receipt of payments from the off-taker viz. GUVNL leading to elongation in receivable cycle beyond 3 months impacting the overall liquidity profile of the company
- Inability of the SPV to meet required covenants as per the sanctioned terms leading to breach in terms of financing agreements including maintenance of DSRA
- Deterioration in credit risk profile of the offtaker viz. GUVNL

Detailed description of the key rating drivers

Key Rating Strengths

Healthy operational track record of 8.75 years: The 20 MW grid connected solar photovoltaic (PV) power plant was commissioned in January, 2012 and has a track record of around 8.75 years. The average CUF of the project since commissioning, i.e. from January 2012 to September 2020 is 18.18% which is better than P-90 estimates and in-line with P-50 estimates.

The project achieved Net CUF of 17.91% during FY20 as against 18.11% in FY19. For 6MFY21, the project generated Net CUF of 16.11% as against Net CUF of 17.25% for 6MFY20.

Long-term PPA with GUVNL having strong financial risk profile, satisfactory payment track record: The Company is supplying power under long-term Power Purchase Agreements (PPA) to GUVNL for a period of 25 years for entire capacity at a fixed tariff of Rs. 15 per unit for first 12 years ending January 2024 and Rs. 5 per unit for remaining 13 years.

GUVNL was incorporated as a government company with 100% equity share capital being held by GoG upon unbundling of the erstwhile Gujarat Electricity Board (GEB) as a part of domestic power sector reforms. Post unbundling of GEB, GoG has demonstrated considerable support to GUVNL and its subsidiaries mainly in the form of equity infusion and disbursement of grants and subsidies.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

As per the terms of the PPA, GUVNL is required to make payment within 30 days from the date of invoice. The company has been receiving payments within 8-10 days from the discom. Presence of long-term PPAs with a strong counterparty at a fixed tariff provides long-term revenue visibility and comfort on timely receipt of payments.

Various reserves in place: As per the sanctioned terms, the Company has created DSRA equivalent to 2 quarter's debt service obligations. In addition to DSRA, the company has to maintain additional reserves in the form of inverter replacement reserve (to be created on on-going basis over a period of 5 years) and O&M reserve. As of September, 2020 the company is maintaining O&M reserve amounting to Rs.0.54 crore and inverter replacement reserve amounting to Rs. 1.12 crore.

Industry Outlook:
There is great thrust from Govt. for improving the share of solar power in India's overall power mix which is reflected from various policy initiatives. There had been muted solar power generation capacity additions during FY19 & FY20 on the back of imposition of safeguard duty on import of solar modules, lack of clarity w.r.to GST rate on solar modules and cancellation of large amount of solar auctions. However, looking at the already allotted capacity and govt.'s push for achieving targeted solar capacity of 100 GW by end FY22, capacity additions are likely to improve in next two to three years. Solar projects have relatively lower execution risks, stable long term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, tariffs comparable to conventional power generation, must run status of solar power projects and upward revision in solar RPO achievement targets. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter RPO enforcement by the state regulators, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook. Going forward key monitorables would be prices of solar modules, performance of the modules in Indian conditions, developments in claim of off-takers for renegotiation of PPAs, modalities to compensate under change in law for safeguard duty, payment pattern of off-takers, imposition of any anti-dumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance.

Key Rating Weaknesses
Moderate debt coverage indicators: Though, the tenure of the debt is fairly elongated, the debt coverage indicators are expected to be moderate given leveraged capital structure.
Exposure to technology, climatic and regulatory risks: The Company has used poly-crystalline PV technology, which has a proven history worldwide, suffers relatively lower degradation and requires lesser land leading to reduction in the Balance of Systems (BoS) cost. However, 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.
Interest Rate Fluctuation Risk: The term loan availed is on a floating rate basis. However, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company to risk of any adverse movement in interest rates.

Liquidity Analysis: Strong
In-line with the sanction terms, DSRA equivalent to two quarters of debt obligations has been created by the company. PLGPPL has created DSRA of Rs. 17.54 crore as on September 2020 in form of Fixed Deposits. Apart from DSRA balance, the company has aggregate cash and bank balance of Rs. 7.08 crore as on 30 September 2020. Also, the company have created additional reserves as per stipulated conditions including O&M reserve and inverter replacement reserve. The company does not have any sanctioned working capital limits.
GCA for FY21 and FY22 is projected to be around Rs. 25.63 crore and Rs. 27.06 crore as per base case assumptions as against total scheduled debt repayment of Rs. 20.74 crore and Rs. 22.18 crore during the same period.

Impact of COVID-19:
The Company had not availed any moratorium from its lender as the impact of COVID-19 pandemic has been minimal on the operations of the projects. The plant continued to generate power during the national lockdown period as well and the payments are being received in a regular manner.

Analytical approach: Standalone

Applicable Criteria
CARE's methodology for Infrastructure sector ratings
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Rating Methodology: Solar Power Projects

[CARE's methodology for private power producers](#)
[Financial Ratios – Non-Financial Sector](#)
[Liquidity Analysis of Non-Financial Sector Entities](#)
[CARE's Policy on Default Recognition](#)

About the Company

PLG Photovoltaic Private Ltd (PLGPPL) is a special purpose vehicle (SPV) and is operating a 20 MW grid connected solar photovoltaic (PV) power plant at Village Dahisar, Patan, Gujarat.

PLGPPL is promoted by Sindicatum Captive Energy Singapore Pte Ltd. (SCESPL) belonging to Sindicatum group. The plant achieved commercial operations date (COD) on January 26, 2012, with a total cost of Rs.356.04 crore. PLGPPL supplies its entire power to Gujarat Urja Vikas Nigam Ltd (GUVNL, rated CARE AA-, Stable / CARE A1+) under a long term power purchase agreement (PPA) signed for 25 years. Tariff as per the PPA is Rs.15/unit for the first 12 years and at Rs.5/unit for the next 13 years as per Gujarat State Solar Policy Framework 2009. PLGPPL is promoted by Sindicatum Captive Energy Singapore Pte Ltd. (SCESPL) belonging to Sindicatum group which is a developer, owner and operator of renewable energy projects in South and Southeast Asia. The group currently holds a portfolio of projects in renewable energy including solar, wind, and bagasse. The company has operational capacity of around 168 MW in India.

Brief Financials – PLGPPL Standalone (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	49.47	48.34
PBILDT	45.68	43.07
PAT	44.05	14.76
Overall gearing (times)	4.55	2.86
Interest coverage (times)	1.67	2.71

A: Audited

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 for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	September 2031	141.71	CARE A; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (02-Apr-19)	1)CARE BBB+; Stable (06-Apr-18)	-
2.	Fund-based - LT-Term Loan	LT	141.71	CARE A; Stable	-	1)CARE A-; Stable (16-Aug-19)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument – Term Loan	Detailed explanation
A. Financial covenants	***NA***
B. Non-Financial covenants	
Restricted Payment Conditions	➢ The DSRA is available for an amount equivalent to the debt service reserve , the O&M reserve , the cash reserve and the IRR or other reserves required by the lenders under the financing documents have been fully maintained to the extent and in the manner required; ➢ Accelerated repayment, if required, in case of any adverse findings in operational module assessment or power curve study, has been exercised in accordance with the terms.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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