

Renew Mega Solar Power Private Limited

August 12, 2019

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	252.88	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)
Total	252.88 (Rs. Two Hundred fifty two crore and eighty eight lakh only)		

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Renew Mega Solar Power Private Limited (RMSPPPL) continues to draw comfort from experienced and resourceful promoters viz. Renew Power Limited (RPL, rated CARE A+; Stable, CARE A1+), operational track record of more than 2.5 years, long-term off-take arrangement through Power Purchase Agreement (PPA) with Northern Power Distribution Company of Telangana Limited (TSNPDCL) at a fixed tariff for the entire capacity, moderately comfortable debt coverage indicators and Debt Service Reserve Account (DSRA) of two quarters in place.

The rating is, however, constrained by counterparty credit risk on account of relatively weak financial risk profile of the off-takers along with significant delays in receipt of payments, interest rate fluctuation risks and exposure to climatic conditions and technological risks.

Going forward, achievement of energy generation levels as envisaged, timely receipt of payments from the off-taker along with timely clearance of existing outstanding debtors and timely infusion of need based support by the promoters shall be the key rating sensitivities shall be the key rating sensitivities.

Outlook: Negative

The outlook for the rating is revised to 'Negative' on account of significant delays of 10 months in receipt of payments from TSNPDCL which has negatively impacted the overall liquidity profile of the company. The ratings may get downgraded in case of further delays in payment receipts from TSNPDCL leading to a further deterioration in the liquidity position. The outlook may be revised to 'Stable' if the receivables cycle from TSNPDCL improves on a sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Operational track record of more than 2.5 years: The project has operational track record of more than 2.5 years.. The plant achieved CUF of 21.69% during FY19 (as against FY18 CUF of 22.10%). The CUF levels have remained largely in-line with FY18 levels but lower than P-90 estimates (P-90 CUF of 23.09% for 1st full year of operations). Generation during 2MFY20 stood at 26.50% (as against 2MFY19 generation of 26.98%). Going forward, generation levels in-line with envisaged levels will be crucial.

Long-term PPA: RMSPPPL is supplying power to TSNPDCL as per the terms of long-term PPA for supply of power at a fixed tariff of Rs.5.5949 per kWh for a period of 25 years under the State Solar Power Policy. With a long-term off-take arrangement at a fixed tariff, the company has long-term revenue visibility.

Moderately comfortable debt coverage indicators: The door to door tenor of the term loan is elongated and the coverage indicators are expected to be moderately comfortable.

Experienced and Resourceful Promoters: Renew Mega Solar Power Private Limited (RMSPPPL) is promoted by Renew Solar Power Private Limited (RSPPL, rated CARE A+ (SO); Stable, 51% shareholding), solar holding company of the group and a wholly owned subsidiary of Renew Power Limited (RPL, rated CARE A+; Stable/CARE A1+) and Hareon Power Singapore Pvt Ltd (HPS, 49% shareholding). RPL is one of the leading players in the renewable power sector in India (operational capacity of around 4.6 GW as on June 2019) with single largest equity stake held by Goldman Sachs group along with other key investors such as Canada Pension Plan Investment Board (CPPIB), Abu Dhabi Investment Authority (ADIA), Jera Power and South Asia Clean Energy Fund (SACEF). The Goldman Sachs group, through its investment arm, GSH, has been making significant equity investment in RPL since FY12 and is the majority shareholder. Subsequently, other investors, SACEF, ADIA (through its arm Green Rock A 2014 Ltd), JERA and CPPIB have made significant investment and also GSH has participated in further rounds of

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

equity fund raising by the company. Recently, in June 2019, RPL raised fresh equity of USD 300 million (~Rs.2100 crore) through rights issue with three of the existing investors participating.

Key Rating Weaknesses

Relatively weak credit profile of the off-taker, delay in receipt of payments from the off-taker:

Northern Power Distribution Company of Telangana Limited (TSNPDCL), the off-taker for the project has a relatively weak credit profile having weak debt coverage indicators along with off-taker operating in a restrictive regulatory environment. The company has been receiving payments from TSSPDCL with a delay of around 10 months as against stipulation of 30 days as per PPA from the date of invoicing with last payment received in July 2019 for invoice of August 2018. During FY20 so far, the company has received 3 payments from Telangana discom. Going forward, timely receipt of revenue from the off-taker will be critical. The financial profile of the discom and timely payments will be a key monitorable.

Interest Rate Fluctuation Risk: The term loans availed is floating rate loans and the lenders can reset the interest rates. However, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company to risk of any adverse movement in interest cost.

Exposure to technology and climatic risks: The company has used multi-crystalline 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.

Industry Outlook: As per the National Solar Mission Scheme, cumulative solar installed capacity is projected to reach to 100 GW (including 40 GW rooftop projects) by 2022. Solar projects have relatively lower execution risks, stable long term cash flow visibility with long term off take arrangements at a fixed tariff and minimal O&M requirements. However, there are concerns pertaining to weak financial health of discoms and their ability to pay timely to the developers, building up of sufficient evacuation infrastructure to cater to huge RE capacity addition, lack of stricter RPO enforcement by the state regulators and level of degradation of the modules given relatively lesser track record of technology in Indian conditions

Liquidity position:

The company's liquidity position is adequate given DSRA covering 2 quarters of debt service obligations is in place (Rs.12 crore kept in the form of FDs). Apart from DSRA, cash & bank balance stood at around Rs.33.66 crore as on June 2019. The company does not have any sanctioned working capital facilities as on date.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Private Power Producers](#)

About the Company

RMSPPPL is a subsidiary of Renew Solar Power Private Limited (RSPPL, rated CARE A+ (SO); Stable), holding 51% stake and balance 49% stake is held by Hareon Power Singapore Private Limited (HPS, solar holding company of Hareon group, China). RSPPL is a wholly owned subsidiary of Renew Power Limited (RPL, erstwhile Renew Power Ventures Private Limited, rated CARE A+; Stable/CARE A1+) and is a holding company of the solar assets of the group. RMSPPPL has set up 48 MW solar PV capacity at Village Mandamarri, District Adilabad, Telangana using Multi-Crystalline Silicon technology. The project achieved COD in February 2017 (24 MW on February 13, 2017 and 24 MW on February 21, 2017) as against Scheduled COD (SCOD) of June 6, 2017 (15 months from the date of PPA signing).

The project has been set up at a cost of Rs.344.78 crore (Rs.7.18 crore/MW) funded via term debt of Rs.252.88 crore and remaining through promoter contribution. The company is supplying power to Northern Power Distribution Company of Telangana Limited (TSNPDCL) under a 25-year Power Purchase Agreement (PPA) at a fixed tariff of Rs.5.5949/kWh.

Brief Financials – RMSSPL Standalone (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	8.19	55.43
PBILDT	7.35	48.80
PAT	17.68	20.46
Overall gearing (times)	2.14	2.14
Interest coverage (times)	3.88	2.10

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

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	-	-	Sept-2037	252.88	CARE BBB+; Negative

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	252.88	CARE BBB+; Negative	-	1)CARE BBB+; Stable (10-Oct-18)	1)CARE BBB; Stable (28-Jun-17)	-

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

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