Renew Mega Solar Power Private Limited

October 10 2018

Ratings

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

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Renew Mega Solar Power Private Limited (RMSPPL) factors in operational track record of more than 1.5 years and comfortable liquidity position in the form of surplus cash. The rating continues to factor in experienced and resourceful promoters with majority shareholding with Renew group, 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 proposed Debt Service Reserve Account (DSRA) of two quarters out of which DSRA of one quarter is already created.

The rating is, however, constrained by counterparty credit risk emanating from single counterparty having relatively weak financial risk profile, interest rate fluctuation risks and susceptibility of power generation to variation in climatic conditions and module degradation.

Going forward, achievement of energy generation levels as envisaged and timely receipt of payments from the off-taker shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Operational track record of more than 1.5 years: The project has operational track record of more than 1.5 years. The company achieved net CUF of 22.10% during FY18 (first full year of operation) which is slightly lower than P-90 estimates. During 5MFY19 (refers to the period April 1 to August 31), the plant generated net CUF of 21.44%. The generation levels during 5MFY19 were relatively lower on account of excessive rainfall during the months of July and August 2018. Going forward, achievement of P90 levels will be crucial.

Long-term PPA: RMSPPL 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. Overall gearing ratio and interest coverage ratio stood comfortable at 2.14x and 2.10x, respectively, during FY18.

Comfortable liquidity position: The company has a comfortable liquidity position with cash & bank balance of around Rs.34 crore as on September 2018 (excluding 1 quarter DSRA). Also, as per sanctioned terms, the company needs to create DSRA equivalent to 2 quarters of principal and interest payments, out of which one quarter DSRA was created upfront at the time of commissioning. The company is yet to create DSRA for second quarter. Nevertheless, given the erratic payment pattern of the sole off-taker, any impact on the liquidity due to delay in receipt of payments will be a key monitorable.

Experienced and Resourceful Promoters: Renew Mega Solar Power Private Limited (RMSPPL) 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 renewable power companies in India with operational capacity of over 3.9 GW as on August 2018. The majority equity stake in RPL is held by Goldman Sachs group and is further backed by reputed private equity investors and development finance institutions such as SACEF, ADIA, JERA and CPPIB.

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

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.

Key Rating Weaknesses

Relatively weak financial risk profile of the off-taker: The company is exposed to credit risk related to power off-taker (TSNPDCL), which has relatively weak financial risk profile. Also, the payment pattern has been erratic since last 1 year with payments being received in around 3-4 months. Going forward, timely receipt of payments from the sole off-taker will be crucial from cash flow perspective.

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.

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

RMSPPL 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. RMSPPL 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 – RMSPPL 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

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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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+; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	252.88	CARE BBB+; Stable	-	1)CARE BBB; Stable (28-Jun-17)	-	-

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