

Surajkiran Solar Technologies Pvt Ltd
December 26, 2018

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term bank facilities- Term Loan	261.00 (Rs. Two Hundred and Sixty One Crore only)	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Surajkiran Solar Technologies Pvt Ltd (SSTPL) draws strength from experienced promoters, long-term PPA signed with TSSPDCL for the entire capacity mitigating off-take risk, satisfactory operational track record of about one year and comfortable debt coverage indicators. The rating is, however, constrained on account of counter-party credit risk with delay in receipt of monthly payments and exposure to climatic and technological risks. Further, DSRA balance as stipulated has been partially created.

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

Detailed description of the key rating drivers**Key Rating Strengths**

Experienced promoters and management: SurajKiran Solar Technologies Private Limited (SSTPL) is a step down subsidiary of M/s. Skypower Holdings LLC (SPH, a Canadian Solar Firm). SPH has an operating renewable energy portfolio of 556MW in Canada, North America. Out of which, 255MW is from operating wind assets and 301MW from operating solar PV power assets. SPH is held by CIM Infrastructure Fund, LP (100% stake). CIM Infrastructure Fund, LC is incorporated by CIM Group, a U.S. based urban real estate and infrastructure investment firm founded in 1994. The key investor in CIM Infrastructure Fund, LP is California Public Employees Retirement System (CalPERS), with an investment of USD 200 million.

Long-term PPA signed with TSSPDCL: PPA has been entered with Southern Power Distribution Company Of Telangana Limited ("TSSPDCL") at a tariff of Rs 5.26 per unit for a term of 25 years. As per the terms of signed PPA, the company will sell & deliver and TSSPDCL will accept 50 MW of the solar power of the plant at the point of delivery. The PPA is also backed by a monthly unconditional, revolving and irrevocable letter of credit to be provided by TSSPDCL in favour of SSTPL, which will be renewed every year.

Satisfactory operational track record of about 1 year: The 50 MW grid connected solar photovoltaic (PV) power plant under SSTPL in Telangana was commissioned on October 27, 2017. The operating performance in terms of CUF has been satisfactory. Since commissioning, the plant generated net CUF of 22.49% as against P-90 level of 22.62%.

Comfortable debt coverage indicators: The coverage indicators are expected to be comfortable with an average DSCR of around 1.28x. The loan tenor is elongated with repayment scheduled in 72 structured quarterly repayments commencing from June 30, 2018. DSRA has to be created for 2 quarters of debt servicing out of which DSRA balance as of Dec-18 stood at Rs.15.30 cr (balance for 1 quarter amounting to ~Rs.9 cr created upfront, funded as a part of project cost and additional Rs.6.30 cr has been created post COD).

Stable Outlook of the Solar Industry: The outlook of solar industry remains favourable due to persistent energy deficits, relatively faster execution of solar energy projects compared with conventional sources, absence of fuel availability risks and government impetus and renewable purchase obligation targets.

Key Rating Weakness

Counterparty Credit Risk: The financial risk profile of TSSPDCL is relatively weak because of the operating losses incurred due to wider tariff gap in 2017. Liquidity of the Discom remains stretched, subsequently, leading to delays in receipt of payments from TSSPDCL. Timely receipt of payments shall be crucial for the liquidity profile of the company going forward.

Exposure to climatic conditions and technological risks: 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. Post initial

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

stabilization period, energy generation at envisaged levels remains crucial, though the track record of poly-crystalline modules has been satisfactory so far in India.

Analytical approach: Standalone

Applicable Criteria

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

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

[CARE's methodology for Infrastructure sector ratings](#)

[CARE's methodology for private power producers](#)

[Financial ratios – Non-financial sector](#)

About the Company

SurajKiran Solar Technologies Private Limited (SSTPL) is a step down subsidiary of M/s. Skypower Holdings LLC (a Canadian Solar Firm) promoted for implementation of the 50 MWAC solar PV power Project at at Siddipet Village, Medak District, Telangana, India. For the cumulative capacity of 50 MWAC, the Power Purchase Agreement (PPA) has been signed between M/s SSTPL and M/s Southern Power Distribution Company of Telangana Limited (TSSPDCL) on 03rd February 2016 at a tariff of Rs 5.26/kWh for a term of 25 years. The Project has been awarded under the Solar Power Policy-2015 of the state of Telangana through competitive bidding.

The Project has been implemented with a Project Cost of Rs. 352 Crore financed by Rupee Term Loan of Rs. 261 Crore and Promoter's contribution of Rs. 91 Crore in a Debt: Equity ratio of 75:25.

The Scheduled Commercial Operation Date (SCOD) for the Project was envisaged as May 3rd, 2017. However, due to delay in land acquisition, the COD has been delayed. The Project has commissioned on 27th October, 2017.

Brief Financials (Rs. crore)	FY18 (Audited)
Total operating income*	26.6
PBILDT	25.1
PAT	4.80
Overall gearing (times)	2.42
Interest coverage (times)	2.95

*For the period of 5 months since COD of project in Oct-17

Status of non-cooperation with previous CRA: NA

Any other information: NA

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	March-2036	261.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	261.00	CARE BBB; Stable	-	-	-	-

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