Talettutayi Solar Projects Four Private Limited

July 13, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	308	CARE BBB-; Stable [Triple B Minus; Outlook: Stable]	Assigned
Total	**308 (Rupees Three hundred and Eight crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Talettutayi Solar Projects Four Private Limited (TSPFPL) derives comfort from experienced and resourceful promoters backed by private equity funds, long term off-take arrangement in the form of Power Purchase Agreement (PPA) with Solar Energy Corporation of India (SECI) for the entire capacity, satisfactory progress on execution, fixed-price fixed-time EPC contract with Tata Power Solar Systems Limited (TPSSL), moderately comfortable coverage indicators and proposed Debt Service Reserve Account (DSRA) covering two quarters of debt servicing obligations.

The rating is, however, constrained by residual project execution risk and exposure to climatic and technological risks.

Going forward, timely completion of the project within envisaged cost, achievement of envisaged Capacity Utilisation Factor (CUF) levels and timely receipt of payments from the off-taker and Viability Gap Funding (VGF) shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management, with backing of reputed financial investors

Talettutayi Solar Projects Four Private Limited (TSPFPL), owned by Solar Arise India Projects Private Ltd (SAIPPL), is part of the Solar Arise group, which was founded by Mr James Abraham, Mr Anil Nayar and Ms Tanya Singhal, who have considerable experience in the solar energy sector and management consulting. The group is majorly owned by reputed Indian and European financial investors, namely Core Infrastructure India Fund Pte Ltd. and Global Energy Efficiency & Renewable Energy Fund.

Long-term off-take arrangement in the form of PPA signed with SECI

The company has entered into a long term PPA with SECI for supply of power at a tariff of Rs.4.43 per kWh for a period of 25 years, under JNNSM Phase II Batch III scheme of Central Government. With a long-term off-take arrangement at a fixed tariff, the company has long-term revenue visibility. Considering the comfortable financial risk profile and satisfactory payment track record of SECI, the counterparty risk is relatively lower.

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

25 MW of capacity already completed

As per PPA, the SCOD for the entire 50 MW was May 10, 2017. However, on account of demonetization and delay in land acquisition on account of higher time taken by local authorities for verifying land records, the company requested SECI for an extension in SCOD to August 10, 2017, which it is expecting to come soon. The lenders have approved SCOD extension to August 10, 2017. Furthermore, 25 MW was completed by June 9, 2017 and the project is expected to be commissioned by July/August 2017.

Fixed-price fixed-time EPC contract with Tata Power Solar Systems Limited (TPSSL)

The company has entered into fixed-price fixed-time EPC contracts with TPSSL (exclusive of transmission infrastructure, which the company has outsourced to another contractor). As per the contract, TPSSL at the time of commissioning will submit a performance guarantee and corporate guarantee, valid till a specified period, and has guaranteed the minimum PRs. The contract also has suitable provision for liquidated damages on account of delay and/or shortfall in performance. The solar project is based on poly-crystalline technology and modules are from JA Solar, while the inverters are from Sungrow.

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. The project is also eligible to receive VGF of Rs.23 crore from SECI (50% on commissioning and balance in 5 equal yearly instalments of 10% each). Furthermore, DSRA comprising two quarter's repayment obligations (principal and interest) needs to be maintained throughout the loan tenor, created out of the last term loan disbursement.

Key Rating Weaknesses

Residual execution risk

While 25 MW is already completed, timely commissioning of the entire project would be crucial.

Exposure to risks related to technology and climate

Achievement of desired CUF going forward would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological factors. The track record of solar equipment performance is relatively short in Indian conditions and establishment of energy generation at envisaged levels remains crucial.

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

Talettutayi Solar Projects Four Private Limited (TSPFPL), owned by Solar Arise India Projects Private Ltd (SAIPPL) is setting up a 50 MW grid connected solar photovoltaic (PV) power project in District Beed, Maharashtra using poly-crystalline silicon technology. The project is being set up at a cost of Rs.411.28 crore (Rs.8.23 crore/MW) funded at debt-equity ratio of 3x. The company has entered into 25-year Power Purchase Agreement (PPA) with SECI at a fixed tariff of Rs.4.43/kWh. The EPC work for the project is being done by Tata Power Solar Systems Limited (TPSSL) on a fixed time-fixed price basis.

The scheduled COD as per PPA for the entire 50 MW was May 10, 2017. However, 25 MW got completed by June 9, 2017 and the project is expected to be commissioned by July/August 2017.

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.*

Analyst Contact:
Name: Mr Gautam Bafna
Tel: 011-45333256
Mobile: +91 9891493443
Email: gautam.bafna@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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	-	-	Jul-2035	308.00	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 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	308.00	CARE BBB-; Stable	-	-	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691