

Talettutayi Solar Projects One Private Limited

January 3, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	165.32	CARE BBB; Stable [Triple B; Outlook: Stable]	Revised from CARE BBB-; Stable [Triple B Minus; Outlook: Stable]
Total	165.32 (Rupees One hundred Sixty Five crore and Thirty Two lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to the bank facilities of Talettutayi Solar Projects One Private Limited (TSPOPL) takes into account the commissioning of project, operational track record of around one year, timely receipt of the payments from the off-taker i.e. Solar Energy Corporation of India (SECI), creation of Debt Service Reserve Account (DSRA) equivalent to 2 quarters of debt servicing obligations. The rating continues to derive 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 SECI for the entire capacity, fixed-price O&M contract with Juwi India Renewable Energies Pvt Ltd (JIREPL) and moderately comfortable debt coverage indicators.

The rating is, however, constrained by limited generation track record, interest rate fluctuation risk and exposure to climatic and technological risks.

Going forward, timely receipt of final commissioning certificate and release of Performance Bank Guarantee (PBG), achievement of envisaged Capacity Utilisation Factor (CUF) levels, timely receipt of payments from the off-taker and Viability Gap Funding (VGF) and any future liability arising due to delay in commissioning 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

TSPOPL, 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., Global Energy Efficiency & Renewable Energy Fund and Thomas Lloyd Group.

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

The company has 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. With a long-term off-take arrangement at a fixed tariff, the company has long-term revenue visibility. The company received payments from SECI for the period Feb-18 to Jun-18 after deduction of 2% rebate since final commissioning approval was awaited from MNRE. However, the company has been receiving full payments from SECI in a timely manner since Aug-18. Considering the strong credit risk profile of the off-taker, the counterparty risk is relatively low.

Operational project, however limited track record

The 30 MW project was fully commissioned on January 5, 2018 (as against the scheduled commissioning of September 2, 2017), with which execution risk is mitigated. The delay in commissioning was on account of delay in approval under Section 109 in Karnataka for deemed NA conversion of the project. However, the project has received provisional commissioning certificate on January 5, 2018 and final commissioning certificate is expected to be received by January 2019.

Further, the operational track record is limited and the plant achieved lower CUF than envisaged in 10MFY18, mainly due to plant curtailment from May-18 to July-18 on request of Karnataka Power Transmission Corporation Limited (KPTCL) for up-gradation of current transformer capacity at grid sub-station. The transformer up gradation work has been completed and the generation levels have improved post that. The plant has been generating at satisfactory levels in recent months. Achievement of envisaged CUF levels going forward will be crucial.

O&M agreement with JIREPL, modules from JA Solar with standard warranty clauses

The company's solar project is based on poly-crystalline technology and modules are from JA Solar, while the inverters are from Sungrow. The company has entered into a 5 year contract with JIREPL for operations and maintenance works of

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

the plant, which is mutually extendable in future. The O&M contract has standard clauses about product warranty, power output warranty, performance ratio, defect liability period, etc. The contractor has also given a performance guarantee and corporate guarantee to the company, for a specified period.

Moderately comfortable debt coverage indicators

The door to door tenor of the term loan is elongated and the debt coverage indicators are expected to be moderately comfortable. The project is also eligible to receive VGF of Rs.22.05 crore from SECI (50% on commissioning and balance in 5 equal yearly installments of 10% each) and the first VGF tranche of Rs.11.03 crore is expected to be disbursed by SECI post issuance of final commissioning certificate. Furthermore, DSRA comprising two quarter's repayment obligations (principal and interest) has been created in the form of FD.

Industry Outlook

India's solar power sector's cumulative installed capacity has increased from around 35 MW as on March 31, 2011 to around 20.59 GW as on March 31, 2018. 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, building up of sufficient evacuation infrastructure to cater to huge RE capacity addition, very high dependence on imported solar modules from China and lack of stricter RPO enforcement by the state regulators. Going forward, key monitorables would be level of degradation of the modules given relatively lesser track record of technology in Indian conditions, success of UDAY scheme, tenability of claim of off-takers for renegotiation of PPAs and regulatory support.

Key Rating Weaknesses

Interest rate fluctuation risk

The company is exposed to the risk of any increase in interest rates going forward, due to fully floating nature of the interest on term loans availed by the company.

Exposure to risks related to technology and climate

Achievement of desired CUF levels 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.

Liquidity Analysis

The company has created DSRA of Rs.11 crore (equivalent to 2 quarters debt servicing) in the form FDR and has cash and bank balance of Rs.0.25 crore as on November 30, 2018. Also, the company is receiving full payments from SECI for sale of power in a timely manner.

Analytical approach: Standalone while factoring sponsor's undertaking and track record of EPC contractor.

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

TSPOPL, owned by SAIPPL, is setting up a 30 MW grid connected solar photovoltaic (PV) power project in District Koppal, Karnataka using poly-crystalline silicon technology. The project has been set up at a cost of Rs.227.46 crore (Rs.7.58 crore/MW) funded at debt-equity ratio of 77:23. The company has entered into a 25-year PPA with SECI, at a fixed tariff of Rs.4.43/kWh. The project got commissioned on January 5, 2018 as against the SCOD of September 2, 2017. The O&M for the project is being done by JIREPL, which had also undertaken EPC for the project.

Brief Financials (Rs. crore)	FY18 (A)
Total operating income	4.72
PBILDT	4.26
PAT	0.05
Overall gearing (times)	4.26
Interest coverage (times)	1.85

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.

Analyst Contact:

Name: Ms Jasmeen Kaur

Tel: 011- 45333245

Mobile: +91-9810401324

Email: jasmeen.kaur@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	-	-	Oct-2036	165.32	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	165.32	CARE BBB; Stable	-	1)CARE BBB-; Stable (11-Sep-17)	-	-

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 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
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