

Press Release

**Aavanti Solar Energy Private Limited**

February 22, 2020

**Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned	Rating Action
1	Long-Term Debt- Term Loan	88.49* (Reduced from Rs.95.62 crore)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Rating downgraded from IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
	<b>Total</b>	<b>88.49</b>		

*\*outstanding as on December 31, 2019*

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The revision in the ratings assigned to the bank facilities of Aavanti Solar Energy Private Limited (ASEPL) takes into account its lower-than-expected financial performance coupled with cash loss incurred in FY19 in the backdrop of lower plant load factor (PLF) witnessed during the year, though marginal improvement witnessed in 9MFY20. However, the ratings continue to derive comfort from its experienced sponsors, locational advantage, availability of long term PPA with Gulbarga Electricity Supply Company Limited (GESCOM) and Government's thrust on solar energy. However, the rating strengths continues to be constrained by its relatively nascent stage of operations, capital intensity of the project, dependence on climatic conditions and exposure to interest rate risk.

**Key Rating Sensitivities**

**Upward factors**

- Stabilisation of operation and achieving projected PLF.
- Timely receipt of payments against generation invoices from GESCOM.

**Downward factors**

- Reduction in PLF impacting the operating performance thereby the profitability on a sustained basis.
- Significant delays in receipt of payments from GESCOM.

## **List of Key Rating Drivers with detailed description**

### **Key Rating Strengths**

#### **Strong Parentage**

Aavanti Solar Energy Private Limited (ASEPL) is sponsored by OPG Power Generation Private Limited (OPGPL) belonging to OPG group, being one of the leading power generating companies in the country. Over the period, ASEPL has received need based funding support from its parent company. Going forward, Infomerics believes timely, need based financial support will also be extended by the parent, in case of pressure on cash flows. ASEPL is currently governed by a three-member Board of Directors comprising Mr. Puneet Goyal, Mr. ES Purushotham and Mr. Ravi Gupta. Mr. Puneet Goyal and Mr. ES Purushotham are engineers by profession and have considerable experience in the solar power sector.

#### **Locational advantage**

The plant is located at Shiggaon Taluk, Haveri District, Karnataka which is at a distance of 6 kms from the nearest substation for power evacuation located at Hulgur, District Haveri, thus providing the company with locational advantage. The location is considered to be a high potential site for solar power generation.

#### **Availability of Long term PPA with a Government body ensures revenue visibility and relatively lower counterparty credit risks**

The entire 20 MW capacity of the project has been tied up with Gulbarga Electricity Supply Company Limited (GESCOM) for 25 years. The PPA tariff is cost competitive from the off takers perspective which in turn substantially mitigates the counter party credit risk. Also, presence of robust payment security mechanism in PPA with GESCOM limits the counterparty risk to a certain extent. Further, GESCOM has built its own transmission line up to the project site and the power will be lifted by GESCOM itself.

#### **Government's thrust on the solar energy**

The Government of India has provided a thrust on developing renewable energy generation including solar power. The Ministry of New and Renewable Energy (MNRE) has set an ambitious target to set up renewable energy capacities to the tune of 175 GW by 2022 of which about 100 GW is planned for solar.

## **Key Weaknesses**

### **Relatively Nascent stage of operations**

The company commenced its operations from March 31, 2018 with FY19 being the first full year of operations for the company. The company is relatively at its nascent stage of operations.

### **Capital Intensity of the project**

Solar PV systems are capital intensive and is at a nascent stage in India. The cost of Rs.130.81 crore incurred for the project is a huge investment, given the fact that power project is generally having long gestation. This high capital intensity along with uncertainty associated with achievement of desired PLF makes the solar power project less competitive vis-à-vis other forms of power projects. Due to high capital outlay, the capital structure of the company remained leveraged with the overall gearing and TOL/TNW at 1.51x and 4.38x respectively as on March 31, 2019. However, the interest coverage ratio was moderate at 1.26x in FY19.

### **Dependence on climatic conditions**

The industry is weather dependent. Only those areas that receive good amount of sunlight are suitable for producing solar energy. During daytime, the weather may be cloudy or rainy, with little or no sun radiation. This makes solar energy panels less reliable as a solution.

### **Exposure to interest rate risk**

The project remains exposed to interest rate risk, given the single part fixed nature of tariff.

### **Subdued financial performance in FY19**

The company incurred book loss as well as cash loss in FY19 due to lower than expected PLF achieved during the year. Further, driven by the loss from operations the debt protection metrics also remained depressed in FY19. During 9MFY20, the operating performance of the company marginally improved and the company has achieved a total operating income of Rs.10.47 crore.

### **Analytical Approach: Standalone**

## Applicable Criteria

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

## Liquidity: Stretched

The liquidity profile of the company appears to be stretched marked by book loss of Rs.6.06 crore and cash loss of Rs.1.56 crore in FY19. The company has a very low free cash and bank balance as on December 31, 2019. However, there is an upfront DSRA requirement of one quarter interest and instalment to be maintained by the company which provides comfort to an extent. Infomerics also factors in the presence of a reputed parent, OPGPL which can support the project in case of a shortfall in funds.

## About the Company

Aavanti Solar Energy Private Limited (ASEPL) is a Special Purpose Vehicle established to set up a 20MW AC/22.40 MW DC Solar PV Project at Shiggaon Taluk, Haveri District, Karnataka. ASEPL is sponsored by OPG Power Generation Private Limited (OPGPL), one of the leading power generating company operating 414 MW Thermal Power Projects in India. The other shareholders are Samridhhi Energy Private Limited and IBC Solar Venture India BV which are a part of OPG Group. ASEPL has signed a long term Power Purchase Agreement (PPA) with Gulbarga Electricity Supply Company Limited (GESCOM) for 25 years. The nearest 66/11 KV substation for power evacuation is located at Hulgur, district Haveri, which is at a distance of 6 kms from the project site. The power evacuation arrangements for the project is made in coordination with Karnataka Power Transmission Corporation Limited (KPTCL). The project was commissioned on March 31, 2018.

## Financials (Standalone):

For the year ended* / As On	(Rs. crore)
	31-03-2019
	<b>Audited</b>
Total Operating Income	10.90
EBITDA	7.09
PAT	(6.06)
Total Debt	40.66
Tangible Net worth	(6.08)
Adjusted Net worth #	26.92
EBITDA Margin (%)	65.07
PAT Margin (%)	(51.38)
Overall Gearing Ratio (x)	1.51

\*Classification as per Infomerics' standards.

#Optionally convertible unsecured debentures (OCDs) of Rs.33.00 crore subscribed by the promoter group in FY19 have been treated as a part of Adjusted Net worth.

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Term Loan	Long Term	88.49*	IVR BB+/Stable	IVR BBB-/Stable (November 26, 2018)	-	-

\*outstanding as on December 31, 2019

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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## About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. Crore)</b>	<b>Rating Assigned/ Outlook</b>
Term Loan	-	-	March, 2034	88.49*	IVR BB+/Stable

*\*outstanding as on December 31, 2019*