

Aavanti Solar Energy Private Limited**November 26, 2018****Rating**

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	95.62	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned
Total	95.62		

Details of Facilities are in Annexure 1**Detailed Rationale**

The aforesaid rating derives comfort from its experienced sponsors, locational advantage and Government's thrust on solar energy. Long Term PPA (Power Purchase Agreement) for 25 years signed with Gulbarga Electricity Supply Company Limited (GESCOM) provides assured revenue stream supporting the rating. However, the rating is constrained by relatively nascent stage of operations, high capital intensity of the project and dependence on climatic conditions. Stabilisation of operation and achieving projected PLF (Plant Load Factor), profitability, capital structure and timely collection of receivables from GESCOM are the key rating sensitivities.

Key Rating Drivers

- Experienced sponsors
- Locational advantage
- Long term revenue visibility
- Government's thrust on the solar energy
- Relatively Nascent stage of operations
- Capital Intensity of the project
- Dependence on climatic conditions

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced sponsors

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, operating 414 MW thermal power projects in India. OPGPL with over five decades of operation is a reputed name as a developer and operator of power plants in India with a track record of delivery and experienced management team.

Locational advantage

The plant is located at Shiggaon Taluk, Haveri District, Karnataka which is high potential site for solar generation located at a distance of 6 kms from the nearest substation for power evacuation located at Hulgur, District Haveri. The insolation at the site is around 5 kwh/m²/day which is above annual average.

Long term revenue visibility

ASEPL has signed a long term Power Purchase Agreement (PPA) with Gulbarga Electricity Supply Company Limited (GESCOM) for 25 years. This provides the company with assured long term revenue for 25 years.

Government's thrust on the solar energy

The Government of India has provided a thrust on developing renewable energy generation including solar power. The cumulative solar capacity in India in FY17 was 12.3 GW of which 45% (nearly 5.5 GW) was added in FY17. The CAGR of solar capacity in the last five years was 67%. Government of India has targeted nearly 100 GW of solar power capacity by FY 2022.

Key Rating Weaknesses

Relatively nascent stage of operation

The company commenced its operations with effect from March 31, 2018. The company is still at its nascent stage of operations as it has been only seven months since the company commenced its operations.

Capital Intensity of the project

Solar PV systems are capital intensive and is at a nascent stage in India. 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.

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.

Analytical Approach & Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

About the Company

Aavanti Solar Energy Private Limited (ASEPL) is a Special Purpose Vehicle established with an objective 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 Samriddhi 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.

Infomerics Valuation And Rating Pvt. Ltd.



Financials:

Since the company commenced its operations from March 2018, the past financial numbers are not substantive.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Term Loan	Long Term	95.62	IVR BBB- / Stable Outlook	-	-	-

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.

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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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities–Term Loan	-	10.85%	Principal amount shall be repaid in 60 quarterly structured instalments after moratorium period of 1year from the date of COD, i.e. March 2018.	95.62	IVR BBB- / Stable Outlook