November 29, 2024

# Tirunveli Solar Project Private Limited: Rating reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Long term – Fund based - Term loan | 273.00 | 273.00 | [ICRA]A (Stable); reaffirmed |
| Long term –Fund based – Working capital | 27.00 | 27.00 | [ICRA]A (Stable); reaffirmed |
| **Total** | **300.00** | **300.00** | |

**Instrument details are provided in Annexure-I*

## Rationale

The reaffirmation of the rating for Tirunveli Solar Project Private Limited (TSPPL) factors in the satisfactory generation performance of its 100-MW solar power project with the PLF increasing to 18.2% in FY2024 and H1 FY2025 against 17.92% in FY2023, following the installation and stabilisation of the additional DC capacity of 6 MWp. Further, after the implementation of the Late Payment Surcharge (LPS) scheme, the payment cycle of the ongoing bills from Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) has reduced to ~3 months from 6-8 months earlier.

The rating continues to factor in the managerial and financial support from a strong parent – Ayana Renewable Power Private Limited (ARPPL; rated [ICRA]AA- (Stable)/[ICRA]A1+) - which acquired the entity from the Rays Power Group in April 2022. ARPPL's credit profile is supported by its superior financial flexibility because of its strong sponsors — National Investment and Infrastructure Fund Limited (NIIF), British International Investment (BII; erstwhile CDC Group Plc) (a UK Government-owned development finance institution) and EverSource Capital, through its Green Growth Equity Fund (GGEF).

The rating also considers the limited demand and tariff risks for the solar power project due to the 25-year long-term power purchase agreement (PPA) with TANGEDCO for the entire project capacity at a fixed tariff of Rs. 3.47 per unit. Further, ICRA favourably takes note of the cost-competitive tariff rate offered by the project, which is lower than the average power procurement cost (APPC) of TANGEDCO.

The rating is, however, constrained by the sensitivity of the company's cash flows and debt protection metrics to its generation performance. While the generation performance has remained satisfactory, any adverse variation in weather conditions may impact the PLF levels and consequently affect the cash flows. This is amplified by the geographic concentration of the asset, with the entire capacity located in Tamil Nadu.

The rating also factors in the counterparty credit risk on account of the exposure to a single buyer, TANGEDCO, whose financial profile is weak. The risk of payment delays is expected to be managed through tie-ups of working capital debt and funding support from the sponsor. Further, ICRA notes that the company's operations remain exposed to regulatory risks pertaining to the scheduling and forecasting requirements of solar power projects.

The Stable outlook reflects ICRA's opinion that the company would benefit from the long-term PPA, an improving generation performance and the benefits of being part of the Ayana Group.

## Key rating drivers and their description

### Credit strengths

**Strong managerial and financial support from Ayana Group** – The Ayana Group is backed by strong sponsors such as NIIF, BII and GGEF. NIIF is anchored by the Government of India (GoI) in collaboration with leading global and domestic institutional investors and is India's first sovereign investment fund. The full ownership of BII belongs to the Secretary of State for

International Development, which is controlled by the UK Government. EverSource Capital, a joint venture between Everstone Capital and Lightsource BP, is the fund manager of GGEF. All the three shareholders have committed a capital of $721 million with NIIF holding 51% along with a majority board representation. As of July 2024, the shareholders have infused ~Rs. 3,700 crore in the platform. TSPPL enjoys strong managerial and financial support, being part of the Ayana platform.

**Revenue visibility due to long-term PPA -** TSPPL has signed a long-term PPA with TANGEDCO for the entire project capacity of 100 MW at a fixed tariff of Rs. 3.47 per unit for tenure of 25 year, thus limiting the demand and tariff risks. The tariff remains competitive for the offtaker, TANGEDCO, in comparison to its average power procurement cost.

**Comfortable debt coverage metrics** - The company's coverage metrics are expected to remain comfortable over the debt repayment tenure, supported by the long-term PPAs at reasonable tariffs and the long tenure of the project debt. Further, the company has availed debt at fixed interest rates for the next four years, mitigating its exposure to interest rate movement in the near term. Also, a significant portion of promoter contribution for the project is in the form of debt, which remains subordinated to the project debt and subject to restricted payment conditions stipulated by the lenders.

## Credit challenges

**Sensitivity of debt metrics to energy generation –** The debt metrics for solar power projects under TSPPL remain sensitive to the PLF levels, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or module performance may impact the PLF and consequently the cash flows. The geographic concentration of the asset amplifies the generation risk. ICRA also notes that the minimum required generation is 17.0%, as per the PPA, failing which the company is liable to pay penalties. Nonetheless, the generation performance has been satisfactory with the PLF increasing to 18.2% in FY2024 and H1 FY2025 against 17.92% in FY2023. The improvement in the generation performance is attributed to better solar irradiation levels and stabilisation of additional DC capacity of 6 MWp.

**Exposure to counterparty credit risk -** The company is exposed to a single buyer, TANGEDCO {[ICRA]A- (CE) (Stable); Unsupported rating: BB}, whose financial profile is weak. This exposes the company to payment delays from time to time. Nonetheless, the payment track record of the ongoing bills has improved to ~3 months from 6-8 months after the implementation of the Late Payment Surcharge (LPS) scheme. The risk of any payment delay is expected to be managed through a tie-up of working capital debt and funding support from the sponsor.

**Leveraged capital structure –** The capital structure of the company is leveraged as it had refinanced the project debt along with raising a certain quantum of additional debt.

**Regulatory challenges of implementing scheduling and forecasting framework -** The regulatory challenges of implementing the scheduling and forecasting framework for solar power projects pose a risk, given the variable nature of solar energy generation. However, the risk is less prominent for solar power projects compared to wind power projects.

## Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate with the cash flow from operations along with the available cash balances sufficient to service the debt obligations. As on November 18, 2024, the outstanding cash balance was ~ Rs. 55.18 crore and a DSRA equivalent to two quarters of debt servicing is being maintained in the form of BG to the extent of Rs. 17.95 crore. The company also has a Rs. 35-crore working capital limit which remains unutilised as of November 2024 and would support any liquidity gap arising from delayed payments from the offtakers. The sponsor is also expected to extend support, if required.

## Rating sensitivities

**Positive factors –** ICRA could upgrade TSPPL's rating in case of a demonstrated track record of generation performance above the appraised PLF estimate along with timely payments from the offtaker. Also, the rating could improve if the credit profile of the parent, Ayana Renewable Power Private Limited, improves.

**Negative factors –** The rating could be downgraded if a significant underperformance in generation adversely impacts the cash accruals. A specific credit metric for a downgrade includes the cumulative DSCR on the project debt falling below 1.25 times. Further, any significant delays in receiving payments from the offtaker adversely impacting the liquidity profile of the company would be a negative trigger. Also, any weakening of the credit profile of the parent, or any change in linkages/support philosophy between the parent and TSPPL would be a negative factor.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Power - Solar |
| **Parent/Group support** | Parent/Group Company: Ayana Renewable Power Private Limited. ICRA expects TSPPL's parent, ARPPL, to be willing to extend financial support to TSPPL, should there be a need, given the strategic importance that TSPPL has for ARPPL |
| **Consolidation/Standalone** | The rating is based on the standalone financial profile of the rated entity |

## About the company

TSPPL was incorporated in June 2017 as a special purpose vehicle (SPV) of Rays Power Infra Private Limited (51%) and Shining Sun Power Private Limited (49%). The company owns and operates a 100-MW (AC capacity) solar power project in the Tuticorin district of Tamil Nadu. The project was fully commissioned on January 29, 2020, with a 25-year PPA signed with TANGEDCO. In April 2022, the project was fully acquired by the Ayana Group from the earlier holding company.

### Key financial indicators (audited)

| TSPPL Standalone | FY2023 | FY2024 |
|---|---|---|
| **Operating income (Rs. crore)** | 54.01 | 54.79 |
| **PAT (Rs. crore)** | - 8.18 | 8.36 |
| **OPBDIT/OI (%)** | 87.81% | 91.94% |
| **PAT/OI (%)** | -15.14% | 15.26% |
| **Total outside liabilities/Tangible net worth (times)** | 30.48 | 17.64 |
| **Total debt/OPBDIT (times)** | 7.71 | 7.17 |
| **Interest coverage (times)** | 1.18 | 1.54 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Current (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2025 | | | FY2024 | | FY2023 | | FY2022 | |
| Instrument | Type | Amount rated (Rs. crore) | Nov 29, 2024 | Date | Rating | Date | Rating | Date | Rating |
| Long term – Fund based - Term loan | Long term | 273.00 | [ICRA]A (Stable) | 11-SEP-2023 | [ICRA]A (Stable) | 10-AUG-2022 | [ICRA]A- (Stable) | - | - |
| Long term – Fund based – Working capital | Long term | 27.00 | [ICRA]A (Stable) | 11-SEP-2023 | [ICRA]A (Stable) | - | - | - | - |
| Proposed Term Loan | Long term | 0.0 | - | - | - | 10-AUG-2022 | [ICRA]A- (Stable) | - | - |

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| Term loan | Simple |
| Working capital | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

### Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| NA | **Term loan** | Aug 2022 | - | Mar 2040 | 273.00 | [ICRA]A (Stable) |
| NA | **Working capital** | - | - | - | 27.00 | [ICRA]A (Stable) |

*Source: Company*

*Please click here to view details of lender-wise facilities rated by ICRA*

### Annexure II: List of entities considered for consolidated analysis – Not Applicable

## ANALYST CONTACTS

**Girishkumar Kadam**
+91 22 6114 3441
girishkumar@icraindia.com

**Vikram V**
+91 40 6939 6410
vikram.v@icraindia.com

**Rachit Mehta**
+91 22 6169 3328
rachit.mehta2@icraindia.com

**Saurabh Gupta**
+91 22 6169 3359
saurabh.gupta@icraindia.com

## RELATIONSHIP CONTACT

**L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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# ICRA Limited

## Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

## Branches