

November 21, 2023

MB Green Energy 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	28.50	11.85	[ICRA]BB+ (CE) (Stable); reaffirmed
Long term Unallocated	1.50	0.00	-
Total	30.00	11.85	

*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement	[ICRA]BB
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Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

ICRA's rating action for MB Green Energy Private Limited (MBGEPL) factors in the credit profile of its parent, Maheswari Mining and Energy Private Limited (MMEPL; rated [ICRA]BB+ (Stable)). The credit profile of MMEPL is constrained by the stretched liquidity position and the subdued generation performance of the recently commissioned solar power assets in Assam and Uttar Pradesh.

The above rating is based on the strength of the corporate guarantee provided by MMEPL, the parent of MBGEPL, for the rated borrowing programme. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, MMEPL.

The unsupported rating of MBGEPL positively factors in the limited demand and tariff risks for its 8.21-MW solar power capacity because of the long-term power purchase agreements (PPAs) with various government institutions under the rooftop scheme of the Solar Energy Corporation of India (SECI). The unsupported rating also positively considers the reputed and diversified mix of customers, comprising various Government institutions such as the All India Institute of Medical Sciences (AIIMS), the Indian Council of Agricultural Research (ICAR) and the Central Reserve Police Force (CRPF), across different geographies and the payment track record from the customers have remained largely timely.

Further, the rating factors in the competitive tariff rates, which vary from Rs. 1.899 per unit to Rs. 3.33 per unit and remain at a substantial discount to the grid tariff rates offered by the respective state distribution utilities (discoms). However, the unsupported rating is constrained by the delay in stabilisation of the assets under MBGEPL, with the generation performance remaining significantly lower the P-90 PLF estimate since commissioning. Further, the company has received lower capital subsidy than anticipated which has impacted the liquidity profile and the debt coverage metrics of the company. Further, the vulnerability of MBGEPL's cash flows to weather conditions and module performance, considering the single part and fixed nature of the tariff under the PPAs, and the impact of the interest rate movement on the company's debt coverage metrics because of the fixed tariffs also constrain the unsupported rating.

Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the guarantee issued by MMEPL in favour of the said facility. While the guarantee is legally enforceable, irrevocable, continuing, covers the entire amount and tenure of the rated instrument, it does not have a well-defined payment mechanism. Taking cognisance of the above, ICRA has assigned a rating of **[ICRA]BB+(CE)** to the said facility against the unsupported rating of [ICRA]BB [and in relation to the guarantor's rating of [ICRA]BB+]. In case the rating of the guarantor or the unsupported rating of MBGEPL were to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility as well. The rating of this facility may also undergo a change in a scenario whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity; or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity; or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility

- » *Any reduction in project cost shall reduce the loan amount proportionately*
- » *The company should not extend any corporate guarantee on behalf of its associates/subsidiaries without prior approval from the bank*

Key rating drivers and their description

Credit strengths

Presence of corporate guarantee – The parent, MMEPL, has supported the entity by extending a corporate guarantee that is unconditional, continuing and irrevocable. This indicates the strong support shown by the parent company to MBGEPL. The promoters have experience of more than five years in the solar power business and are also involved in coal and commodities trading. The Group has 63.2 MW of operational solar power capacity across different parts of India.

Low demand risk – The company had been awarded 9 MW (reduced to 8.21 MW) of solar rooftop projects by SECI; these rooftop panels are set up on various Government buildings across multiple states. The company has signed PPAs for the entire capacity for 25 years at a fixed tariff with various Government institutions. The PPAs also include a provision for termination payments.

Competitive tariff rates offered by the company – The weighted average tariff rate for MBGEPL's portfolio is Rs. 2.48 per unit (varying from Rs. 1.899 - 3.33 per unit). The tariffs are highly competitive and remain at a substantial discount to the grid tariff rates offered by the respective state discoms.

Reputed and diversified customer profile - The PPAs with reputed and diversified customers mitigate the counterparty risk to an extent. While the payment track record has varied across sites since commissioning, the presence of a diversified clientele has resulted in timely payments.

Credit challenges

Lower capital subsidy received – The company has received a capital subsidy of Rs. 16.78 crore from SECI against the earlier expected subsidy of Rs. 19.43 crore due to a revision in the incentive structure notified and certain deductions for delays in commissioning. The reduction in the amount of capital subsidy has adversely impacted the liquidity profile and debt coverage metrics of the company, as the tariffs for the projects remain unviable without the capital subsidy.

Debt metrics for solar projects remain sensitive to PLF levels –The company's cash flows remain linked to the generation achieved by its solar power projects, given the single-part tariff under the PPA. The generation would remain sensitive to

weather conditions, equipment quality and O&M practices. While comfort can be drawn from the diversification in the asset base, the generation performance since commissioning remains below the P-90 PLF estimate.

Exposed to interest rate risk – The project remains exposed to interest rate risk, given the single-part fixed nature of the tariff, high leverage level and floating interest rates.

Credit profile of support provider constrained by subdued generation performance – The credit profile of MMEPL is constrained by the subdued generation performance of the recently commissioned assets in Assam and Uttar Pradesh.

Liquidity position

For the [ICRA]BB+ (CE) (Stable) rating: Stretched

The liquidity position is stretched owing to the lower-than-anticipated capital subsidy received for the distributed rooftop projects and the subdued generation performance of the recently commissioned projects. The available unencumbered cash balances as on October 31, 2023 were Rs. 2.89 crore along with DSRA of Rs. 9.73 crore, which would be sufficient to cover for the ensuing five months of debt servicing. ICRA notes that the DSRA has been utilised for certain projects over the past 12 months and subsequently replenished. The improvement of the liquidity position is linked to the improvement in generation performance of the recently commissioned units. At the consolidated level, the unencumbered cash balances and DSRA maintained as on October 31, 2023, would cover for about six months of debt obligations. However, the required DSRA is yet to be funded fully. The ability of the company to fund the required DSRA and maintain it on a sustained basis remains a key monitorable.

For the [ICRA]BB rating: Stretched

The liquidity position is stretched owing to the lower-than-anticipated capital subsidy received in FY2023. Given the viability of the PPAs was dependent on the receipt of capital subsidy, the company would have to depend on promoter funding going forward to cover the liquidity gap. The cash available with company as on October 31, 2023 is Rs. 0.09 crore along with DSRA of Rs. 1.20 crore which is sufficient to cover debt obligations for next two quarters.

Rating sensitivities

Positive factors – The rating remains sensitive to any movement in the rating or outlook of the guarantor, MMEPL.

Negative factors – The rating remains sensitive to any movement in the rating or outlook of the guarantor, MMEPL. Continued under-performance in generation against the appraised level or delays in receiving payments from customers, adversely impacting the liquidity profile, would be the other downgrade triggers.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Energy Projects
Parent/Group support	Parent: Maheswari Mining & Energy Pvt. Ltd. The rating assigned to MBGEPL factors in the high likelihood of its parent extending financial support to it because of the close business linkages between them and the corporate guarantee extended by the parent
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

MB Green Energy Private Limited (MBGEPL) is a 100% subsidiary of Maheswari Mining & Energy Pvt. Ltd and has set up 8.21-MW solar rooftop projects awarded by SECI under the RESCO model. The tariffs are fixed based on the project zones, starting from Rs.1.899 per unit to Rs.3.33 per unit valid for a period of 25 years from CoD. Further, the projects were eligible for subsidy from SECI, based on the project zone and target achievement. The assets in Zone-2 were commissioned in August 2021, Zone-3 assets between July 2021 and September 2021, Zone-4 assets in August 2021 with the full DC capacity installed gradually in FY2023.

Key financial indicators (audited)

MBGEPL Standalone	FY2022	FY2023
Operating income (Rs. crore)	0.47	2.46
PAT (Rs. crore)	-4.78	0.73
OPBDIT/OI (%)	69.70%	76.39%
PAT/OI (%)	NM	29.48%
Total outside liabilities/Tangible net worth (times)	NM	-38.09
Total debt/OPBDIT (times)	NM	20.44
Interest coverage (times)	0.26	0.61

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, NM – Not meaningful since the plant was not operational for entire year

NOTE: Debt includes promoter contribution in the form of subordinated debt

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on July 31, 2023 (Rs. crore)	Date & rating	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Nov 21, 2023	Sep 21, 2022	Oct 18, 2021	-
1 Term loan	Long-Term	11.85	11.85	[ICRA]BB+ (CE) (Stable)	[ICRA]BB+ (CE) (Stable)	[ICRA]BBB- (CE) (Stable)	-
2 Unallocated	Long-Term	-	-	-	[ICRA]BB (Stable)	[ICRA]BB+ (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	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	Jun 2021	-	FY2036	11.85	[ICRA]BB+ (CE) (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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Branches



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