

November 05, 2024

Sudiva Industries Private Limited: [ICRA]BBB-(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based – Term loan	30.80	[ICRA]BBB- (Stable); assigned
Total	30.80	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Sudiva Industries Private Limited (SIPL) takes into account its operational and financial linkages with parent entity - Sudiva Spinners Private Limited (SSPL). The rating factors in SIPL's satisfactory generation performance in H1 FY2025 and the presence of a long-term power purchase agreement (PPA) for a period of 25 years with the parent entity for the entire capacity after the solar power project was commissioned towards the end of March 2024. The rating also factors in the timely collections from SSPL and the competitive PPA tariff of Rs. 1 per unit, which is lower than the state discom rate, thereby mitigating the offtake and price risks to some extent.

The rating factors in the low counterparty credit risk, being part of captive consumption, and the favourable PPA terms with the lock-in period (~10 years) in the PPA being more than the debt tenure along with 100% offtake guarantee. In addition, the debt coverage metrics are expected to remain comfortable over the debt repayment tenure, supported by the competitive interest rates. The rating also draws comfort from an experienced management team and support from the parent entity, should the need arise.

The rating, however, is constrained by the sensitivity of the cash flows and debt protection metrics to its generation performance. Any adverse variation in weather conditions and module performance may impact the plant load factor (PLF) and consequently the cash flow. The ability of the company to demonstrate generation in line with or above the design PLF levels on a sustained basis will remain the key monitorable. ICRA also takes note of the exposure of the debt coverage metrics to interest rate movements, given the leveraged capital structure of the asset.

The Stable outlook on the rating reflects the revenue visibility provided by the operational status of the project with a long-term PPA in place as well as the timely collections from the offtaker.

Key rating drivers and their description

Credit strengths

Support from SSPL with SIPL catering to group's captive power consumption requirements - SIPL was incorporated in FY2023 as a subsidiary of SSPL, which is engaged in the production of solar power for the captive consumption of SSPL. This ensures financial flexibility and ICRA expects SSPL to extend support to SIPL in the event of any cash flow mismatches due to reduced generation or collections.

Long-term PPA at competitive tariff with low counterparty credit risk – A long-term PPA at a competitive tariff rate has been signed with SSPL for a tenure of 25 years for the entire capacity. This provides visibility to the revenues and mitigates the demand and tariff risks. The counterparty credit risk for the portfolio is low. The collection period has remained healthy since April 2024 (in line with its PPA terms). In addition, the lock-in period (~10 years) for the PPA is more than the debt tenure along with 100% offtake guarantee, further mitigating the counterparty credit risk.

Debt coverage expected to remain comfortable - The company’s consolidated leverage level is expected to remain high due to the largely debt-funded nature of the installed solar plant. However, the coverage metrics are expected to remain comfortable, supported by the long-term PPA at a remunerative tariff and the competitive interest rates.

Credit challenges

Limited track record of project performance - The solar power plant has a limited track record (less than one year) as it commenced operations at full capacity towards the end of March 2024. Notwithstanding this, the plant’s performance remained satisfactory with a generation of 6.5 million units in H1 FY2025. The performance, going forward, will remain a key monitorable.

Cash flow vulnerable to irradiance levels - The cash flow generation of solar power projects is directly influenced by the irradiance levels. The cash flow will face headwinds if the irradiance is lower-than-expected due to adverse weather conditions, seasonal changes and geographical factors.

Exposure to interest rate risk - The company’s debt coverage metrics remain exposed to the variation in interest rates because of the leveraged capital structure and floating interest rates.

Liquidity position: Adequate

The liquidity is expected to remain adequate, aided by the positive cash flow from operations. The long-term PPA with SSPL for the solar power project and expectation of timely receipt of payments is likely to ensure a steady cash flow. In case of a shortfall in cash flow generation, ICRA expects the parent, SSPL, to meet the cash flow mismatch.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the credit profile of its parent, SSPL, improves, or if the actual generation level is higher than the P-90 estimate on a sustained basis, leading to an improvement in SIPL’s credit metrics.

Negative factors – Pressure on the rating could arise if the generation is lower than the P-90 PLF estimates, resulting in a moderation in the credit metrics and liquidity position. The rating could also be revised downwards if the linkage with the parent weakens, and/or if the credit profile of the ultimate parent i.e SSPL weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	Parent Company: Sudiva Spinners Private Limited (SSPL). The rating factors in the potential financial support from the SSPL, should the need arise
Consolidation/Standalone	Standalone

About the company

In FY2023, Mr. J. C. Laddha and Mr. Varun Laddha established Sudiva Industries Private Limited (SIPL) as a subsidiary of Sudiva Spinners Private Limited (SSPL). SIPL is engaged in the production of solar power for the captive consumption of SSPL. The company operates a 9.75-MW DC solar power plant in SSPL’s premises. The plant was operational from March 24, 2024.

The total cost incurred was Rs. 38.62 crore, of which Rs. 30.80 crore was funded through debt and the balance through equity contribution. SSPL currently holds 100% stake in SIPL with an equity investment of Rs. 8.01 crore.

Key financial indicators (audited)

	FY2024*
Operating income	0.1
PAT	0.0
OPBDIT/OI	81.3%
PAT/OI	13.6%
Total outside liabilities/Tangible net worth (times)	4.2
Total debt/OPBDIT (times)	259.9
Interest coverage (times)	1.9

*Project commenced its operations from March 24, 2024 onwards, hence financials are not meaningful

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 05, 2024	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	30.80	[ICRA]BBB-(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund-based – 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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	17-10-2023	8.70%	March-2032	30.80	[ICRA]BBB- (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

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