June 20, 2023

Belgaum Solar Power Private Limited: Ratings reaffirmed; Rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term loan	190.00	210.00	[ICRA]A (Stable); reaffirmed; assigned for enhanced amount
Total	**190.00**	**210.00**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of INR Energy Ventures Private Limited (INREVPL) and its subsidiary, Belgaum Solar Power Private Limited (BSPPL), together referred to as the rated entities, given their common management and financial linkages. These entities together operate solar power plants with a total capacity of 60 MWAC.

The rating reaffirmation takes into account the strong investor profile of the rated entities, which are a part of the Blackstone Group, one of the leading global investors in real estate and infrastructure. The rated entities derive financial flexibility by being part of a strong Group. The rating considers the satisfactory track record of power generation in FY2023 with PLF levels in line with the P-90 estimates and the low counterparty risk, as all the open-access consumers are commercial buildings that are managed or owned by the Prestige Group and the Blackstone Group (Nucleus Office Parks). The company has signed power purchase agreements (PPA) for 25 years with effect from April 2021 compared to the remaining term loan tenure of 15 years, resulting in low market risk. The amended PPA also provides for adequate liquidated damages, in case of default or termination by the counterparties, to cover the debt outstanding and further makes it prohibitive for any termination. The company has refinanced the term loan with top-up amount of around Rs. 135 crore and a favourable tenor of 15 years. The top-up amount along with the existing cash were used to repay OCDs of Rs. 151.4 crore (Including accrued interest of around Rs. 25 crore), subscribed by the sponsor. The rating continues to draw comfort from the strong profitability and return metrics of the project, backed by high tariff rates and waiver of open-access charges for a period of ten years from commissioning and the comfortable debt coverage indicators with cumulative DSCR at around 1.3 times.

The rating is, however, constrained by the vulnerability of the cash flows to variations in solar irradiance level and any regulatory changes, with respect to various charges, duties and other aspects related to power generation and supply in the future. ICRA notes that the Karnataka Electricity Regulatory Commission's (KERC) May 2018 order, which restricted the waiver on open-access charges, has been quashed by the Karnataka High Court. The cash flows are susceptible to the risk of downward revision of tariff rates by the Bangalore Electricity Supply Company Limited (BESCOM), given that PPA tariff with the counterparties is fixed at BESCOM tariff levels. The BESCOM tariff for FY2024 for the highest slab of HT2B1 tariff category is set at Rs. 9.25 per unit compared to Rs. 9.40 per unit for the previous year. The tariffs realised are vulnerable to any decline in offtake from the counterparties, as witnessed in FY2022 (Rs. 8.61/unit) due to the Covid-19 pandemic, considering realisations from third-party sales could be lower than the PPA tariff. However, starting April 2022, the entities have been realising the actual PPA tariff fixed by BESCOM.

The Stable outlook on the rating reflects ICRA's opinion that the rated entities will continue to benefit from the long tenure of PPAs at very remunerative rates, healthy debt servicing indicators and strong financial flexibility for being a part of the Blackstone Group.

Key rating drivers and their description

Credit strengths

Strong promoter profile – BSPPL and INREVPL, established by the promoters of the Prestige Group (one of the leading real-estate developers in South India), have been taken over by the Blackstone Group, one of the leading global investors in real estate and infrastructure. The rated entities derive financial flexibility by being a part of a strong Group.

Long tenure of PPAs with tariffs linked to prevailing grid tariffs; low counterparty risk - The counterparty risk is low as all the open-access consumers are commercial buildings and properties that are managed or owned by the Prestige Group and the Blackstone Group (Nucleus Office Parks). Further, the company has signed an amended PPA in April 2021, which is valid for the next 25 years compared to the remaining term loan tenure of 15 years, resulting in low market risk. The amended PPA provides for adequate liquidated damages, in case of default or termination by the counterparties, to cover the debt outstanding and further makes it prohibitive for any termination.

Healthy profitability and debt coverage metrics - The entities have demonstrated a satisfactory track record of generation and billing of electricity during the past four years, with generation close to the P90 level. As per the PPA, the tariffs are linked to the BESCOM's prevailing tariffs. Moreover, the rated entities enjoy a waiver on open-access charges such as cross-subsidy charge, banking and wheeling charges, transmission, and wheeling losses for 10 years from the date of commissioning. Further, the profitability improved in FY2022 in the absence of commission charges from FY2022, that were paid earlier to Prestige's facility management division. This results in high net realisations from the projects, along with strong profitability and return metrics. The cumulative DSCR is expected to remain comfortable at around 1.30 times.

Credit challenges

Cash flows vulnerable to variation in solar irradiance or offtake by consumers- The key factors impacting the solar plant's operations are solar radiation levels, losses in photovoltaic (PV) systems due to temperature and climatic conditions, design parameters of the plant, inverter efficiency and module degradation owing to ageing. The tariffs realised are also vulnerable to any decline in offtake from the counterparties, as witnessed in FY2022 (Rs. 8.61/unit) on account of the Covid-19 pandemic, as realisations from third-party sales could be lower than the PPA tariff. However, starting April 2022, the entities have been realising the actual PPA tariff fixed by BESCOM.

Exposed to adverse regulatory developments or tariff revisions- As the tariff rate for the counterparties are fixed at the BESCOM level (currently at Rs. 9.25/unit for FY2024), any downward revision in tariff by BESCOM would impact the project's profitability. Any regulatory changes, with respect to various charges, duties and other aspects related to power generation and supply, would impact the project's cash flows. The rated entities enjoy concessional open access charges, which support the high net tariff realised. Any withdrawal of such concessions may adversely impact the accruals and debt coverage metrics. ICRA notes that KERC's May 2018 order, which restricted the waiver on open access charges, has been quashed by the Karnataka High Court.

Liquidity position: Adequate

As of March 2023, the combined liquidity position of the rated entities is adequate, with cash and liquid balances of Rs. 43.7 crore. Additionally, DSRA of Rs. 11.9 crore (equivalent to debt servicing for one quarter of both the entities) is maintained. The rated entities have scheduled debt (Principal + Interest) repayments of Rs. 41.7 crore towards the existing loans in FY2024, which can be comfortably met from its cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the rated entities demonstrate an improvement in their operational risk profile through improved revenue and surpluses. Specific credit metrics that could lead to a rating upgrade include cumulative DSCR above 1.50 times.

Negative factors – Pressure on the rating could arise in case of a reduction in tariff rate or a decline in generation, or if there is a delay in receipt of payments from the customers. Negative pressure on the rating could arise if the Total External Debt/OPBITDA increases above 5 times, on a sustained basis, or cumulative DSCR over the loan tenure falls below 1.20 times.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Power Producers
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has taken a consolidated view of INREVPL, along with its subsidiary, BSPPL, given their common management and financial linkages

About the company

Belgaum Solar Power Private Limited (BSPPL) is involved in generation and sale of solar power to commercial consumers under the third-party open access mechanism in Karnataka. BSPPL was vested under INREVPL as approved by the NCLT. The entities have set up two 30-MWAC ground mounted solar power projects in Karnataka to supply power to counterparties, with which they have signed long-term PPAs. It benefits from the solar power policy of KERC, which provides significant waiver of open access charges for the solar power plants commissioned before March 2018.

Key financial indicators (audited)

Consolidated	FY2021	FY2022
Operating income	94.4	105.2
PAT	2.4	1.5
OPBDIT/OI	79.6%	90.8%
PAT/OI	2.5%	1.4%
Total outside liabilities/Tangible net worth (times)	-89.2	19.1
Total debt/OPBDIT (times)	11.1	7.5
Interest coverage (times)	1.8	1.5

Source: ICRA Research PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; all ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
					Jun 20, 2023	Dec 23, 2022	Nov 22, 2021	Mar 19, 2021	Jul 8,2020
1	**Term loan**	Long term	210.0	209.0	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A-&**	**[ICRA]A- (Stable)**
2	**Unallocated limits**	Long term	0.0	-	-	-	-	-	**[ICRA]A- (Stable)**

&= Under Watch with Developing Implications

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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	**Term loan**	February-2023	-	January-2038	210.0	[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

Company Name	Relation	Consolidation Approach
INR Energy Ventures Private Limited	Parent Entity	Full Consolidation

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4547 4829
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 4547 4829
anupama.reddy@icraindia.com

Tushar Bharambe
+91 22 6169 3347
tushar.bharambe@icraindia.com

Abhilash Sirsikar
+91 22 6169 3379
abhilash.sirsikar@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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches