February 28, 2025

Abijit Solar Energy Pvt. Ltd.: 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	8.58	8.58	[ICRA]BB+ (CE) (Stable); reaffirmed
Total	**8.58**	**8.58**	

Rating without explicit credit enhancement	[ICRA]BB

**Instrument details are provided in Annexure I*

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

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

The above rating is based on the strength of the corporate guarantee provided by Maheswari Mining and Energy Pvt. Ltd. (MMEPL)MMEPL, the parent of Abijit Solar Energy Pvt. Ltd (expand) (ASEPL), for the rated borrowing programme. The Stable outlook on this rating reflects ICRA's outlook on the long-term rating of the guarantor, MMEPL.

The unsupported rating of ASEPL positively factors in the long-term power purchase agreement (PPA) and the satisfactory operational track record of its 5-MW plant in Telangana with the average plant load factor (PLF) being higher than the P-90 estimate since commissioning. The rating further considers the improvement in the receivable days with the payments being realised within ~3 months in FY2024, which has further improved to less than 1 month in Q3FY2025. Nonetheless, the parent has extended funding support in the past during periods of cash flow shortfalls arising from delays in payments from Telangana State Southern Power Distribution Company Limited (TSSPDCL). Further, the weak cost competitiveness of the PPA tariff in relation to the average power purchase cost (APPC) of the utility, the risk of variability in solar generation and interest rate movement and the exposure to the regulatory challenges of implementing the scheduling and forecasting framework 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 ASEPL was 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

- The company should not repay the money brought in by the promoters/directors/principal shareholders and their friends and relatives by way of deposits/loans/advances
- The company should not issue any guarantee or letter of comfort in the nature of guarantee on behalf of any other company (including group companies)

For the [ICRA]BB+(Stable) rating of MMEPL, the Parent

The rating of Maheswari Mining and Energy Private Limited (MMEPL) reflects the revenue visibility from the long-term PPAs for its 63.21 MW operational capacity, supported by the strong performance of its 25 - MW Telangana solar plants and an improved payment discipline of TSSPDCL, which has reduced its payment cycle to three months in FY2024. However, the subdued generation in Assam (10 MW), Uttar Pradesh (20 MW), and distributed rooftop projects (8.21 MW), along with the non-revision of repayment terms following the use of TSSPDCL dues for loan prepayment, has stretched the liquidity and increased the risk of cash flow mismatches. While the high tariff of Rs. 6.45 per unit raises the grid curtailment risks for the Telangana projects, the competitive tariffs in Assam and Uttar Pradesh provide some cushion. The company remains exposed to solar generation variability, interest rate fluctuations, and regulatory uncertainties, though promoter support through equity and unsecured loans help tide over risks associated with cash flow timing mismatches. The Stable outlook on the rating reflects ICRA's opinion that company would benefit from the long-term PPAs, demonstration of healthy generation performance of the Telangana solar assets, and the improved payment discipline of the state discom, which is expected to keep its credit metrics at a satisfactory level commensurate with the current rating category.

Key rating drivers and their description

Credit strengths

Presence of unconditional, irrevocable, and continuing corporate guarantee from MMEPL– Parent MMEPL has supported ASEPL by extending a corporate guarantee that is continuing and irrevocable. Further, the parent has also extended funding support in the past during periods of cash flow shortfalls resulting from delays in payments from TSSPDCL. The promoters have an experience of more than five years in the solar power business and are also involved in coal & commodities trading. The Group has 63.21 MW of operational assets in total – 25-MW operational solar power capacity across different parts in Telangana, 10-MW operational asset in Assam, 20-MW operational asset in Uttar Pradesh and 8.21 MW of distributed rooftop solar assets.

Satisfactory operating track record of plant since commissioning – ASEPL has reported a healthy average PLF of 21.80% since the commissioning of the plant in December 2016, being higher than the P-90 levels. The average PLF achieved by the plant in FY2024 was 21.12%, higher than 20.87% in FY2023. However, the PLF has decreased to 19.92% in 7MFY2025 from 21.46% in 7MFY2025, due to extended monsoons in south.

Long-term PPA with TSSPDCL mitigates demand and pricing risks – The company has signed a 20-year PPA with TSSPDCL at a tariff of Rs. 6.45 per unit for the entire capacity of 5 MW, which limits the demand and pricing risks.

Credit challenges

Parent's credit profile constrained by subdued generation performance, weak tariff competitiveness, stretched liquidity position, and high counterparty credit risks – The credit profile of MMEPL remains constrained by the subdued generation performance across its assets in Assam, Uttar Pradesh, and the rooftop solar projects, with the PLFs being well below the P-90 estimates. The liquidity too, remains stretched due to the lumpy scheduled debt service obligations even as the proceeds of TSSPDCL's dues for loan prepayment, increasing the risk of cash flow timing mismatches. The high tariff of Rs. 6.45 per unit against the average power purchase cost (APPC) of the utility for the Telangana projects raises grid curtailment risks, though the competitive tariffs in Assam and Uttar Pradesh offer some cushion. However, the adequate debt coverage ratios and promoter support through equity and unsecured loans provide some financial resilience.

Exposure to counterparty credit risk – The company's operations are exposed to high counterparty credit risk with TSSPDCL being the sole offtaker and having a modest credit profile. Nonetheless, the payment cycle has improved to 3 months in FY2024, from the earlier 15-16 months, post the implementation of the LPS scheme and the long outstanding dues have been cleared by the offtaker. This has further improved to less than 1 month in Q3FY2025.

Weak cost competitiveness of PPA tariff – ASEPL remains exposed to the risk of grid curtailments by TSSPDCL in the future, given the relatively high PPA tariff against the APPC of the utility and a declining trend in the competitively bid tariff rates for sourcing solar energy. Nonetheless, the company has not faced any grid availability issues in this project since commissioning.

Single location asset; cash flows vulnerable to variability in solar irradiation – ASEPL is entirely dependent on power generation from the solar power project located at a single site in Telangana for its revenue and cash accruals. Given the single-part tariff, the company may lose revenues and profits in case of non-generation of power. The single location and single asset nature of its operations increases this risk, though the risk is mitigated to an extent by the satisfactory operational track record of the plant since its commissioning in December 2016.

Exposed to interest rate risk – The project remains exposed to interest rate risk, given the single-part fixed nature of the tariff and the floating interest rates. An increase in interest rates can exert pressure on the debt coverage metrics.

Regulatory risk of implementing scheduling and forecasting framework for solar sector – The company's operations remain exposed to the regulatory risk pertaining to scheduling and forecasting requirements.

Liquidity position

For the guarantor, MMEPL: Stretched

The liquidity position is stretched owing to the lumpy scheduled debt repayments, the subdued generation performance of the recently commissioned projects, and utilisation of dues realized from TSSPDCL towards prepayment of unsecured loan. At a consolidated level, the available unencumbered cash balances in books as on October 30, 2024, were Rs. 1.05 crore along with DSRA of Rs. 11.89 crore.

For ASEPL: Stretched

The liquidity position of ASEPL is stretched as the company has utilised the dues realised from TSSPDCL to prepay the unsecured loans, resulting in limited cash balances of Rs. 0.33 crore along with a one-quarter DSRA of Rs. 0.65 crore as on October 30, 2024, against a debt obligation of Rs. 1.48 crore for FY2025. Further, ICRA notes that given the stretched liquidity position of the parent, MMEPL, the possibility of upstreaming of surplus liquidity to the parent cannot be ruled out, which further constrains ASEPL's rating.

Rating sensitivities

For the guarantor, MMEPL

Positive factors – The rating could be upgraded if there is a significant improvement in the generation performance of the operational plants, leading to an improvement in the credit metrics and liquidity profile.

Negative factors – The rating can be downgraded in case of an underperformance in generation by the solar power assets, which will adversely impact the company's liquidity position. Any large debt-funded capex by the company could be another trigger for downgrade.

For ASEPL

Positive factors – The rating remains sensitive to any improvement in the credit profile of the guarantor, MMEPL.

Negative factors – The rating remains sensitive to any deterioration in the credit profile of the guarantor MMEPL. Further, the rating could face downward pressure if the PLF declines, adversely impacting the credit metrics and liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power – Solar
Parent/Group support	Parent: Maheswari Mining & Energy Pvt. Ltd. The rating assigned to ASEPL factors in the low 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 ASEPL.

About the company

ASEPL is a 100% subsidiary of Maheswari Mining & Energy Pvt. Ltd. It has developed a 5-MW AC grid-connected solar PV power plant at Addakal village, Kothakota Mandal, Mahbubnagar district, Telangana. The company had entered into a PPA with TSSPDCL for 20 years at a tariff of Rs.6.45 per unit from the commercial date of operation. The plant's commercial operations started in December 2016.

Key financial indicators (audited)

ASEPL (Standalone)	FY2023	FY2024
Operating income	5.72	6.09
PAT	0.39	0.34
OPBDIT/OI	70.65%	41.65%
PAT/OI	6.80%	5.60%
Total outside liabilities/Tangible net worth (times)	1.15	0.85
Total debt/OPBDIT (times)	4.00	4.86
Interest coverage (times)	1.73	1.48

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

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Feb 28, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	8.58	**[ICRA]BB+ (CE) (Stable)**	Nov-21-2023	[ICRA]BB+ (CE) (Stable)	Sep-21-2022	[ICRA]BB+ (CE) (Stable)	Nov-01-2021	[ICRA]BBB- (CE) (Stable)*
Unallocated	Long-term	-		-	-	-	-	Nov-01-2021	[ICRA]BB+ (Stable); withdrawn

**[ICRA]BB+ (Stable) has been withdrawn and simultaneously [ICRA]BBB- (CE) (Stable) has been assigned*

Complexity level of the rated instrument

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 date	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	Apr 2014	-	Aug 2031	8.58	[ICRA]BB+ (CE) (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

Ritabrata Ghosh
+91 33-61143438
ritabrata.ghosh@icraindia.com

Ruchi Hota
91 70771 02900
ruchi.hota@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

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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.

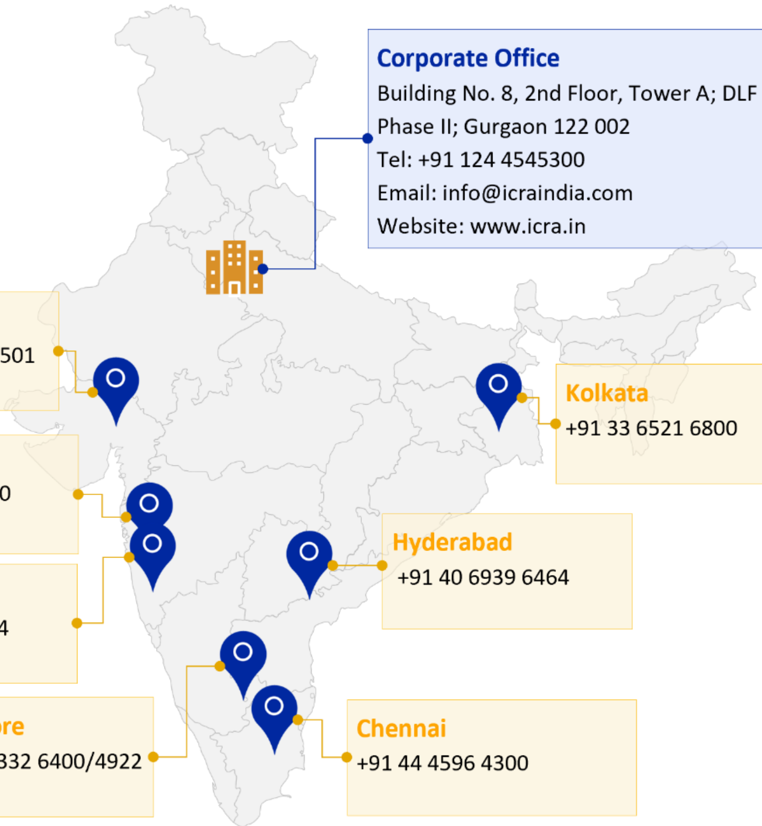
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Ahmedabad
+91 79 4027 1500/501

Mumbai
+91 22 6169 3300

Pune
+91 20 2556 1194

Bangalore
+91 80 4332 6400/4922 5500

Kolkata
+91 33 6521 6800

Hyderabad
+91 40 6939 6464

Chennai
+91 44 4596 4300