

Northern Solaire Prakash Private Limited

Instrument	Amount	Rating Action
Long term – Term Loan	Rs. 129.68 crore	[ICRA]BBB (Stable); upgraded from [ICRA]BBB- (Stable)

ICRA has upgraded the rating assigned to the Rs. 129.68 crore term loan facility of Northern Solaire Prakash Private Limited¹ (NSPPL) from [ICRA]BBB- (pronounced ICRA triple B minus). The outlook on the long-term rating is stable.

The rating revision reflects improved power generation levels expected going forward post stabilization of operations during first year along with receipt of first tranche of viability gap funding (50% of total VGF) from SECI. Same combined with expected reduction in interest rates will strengthen DSCR going forward with average DSCR during project life expected to remain above 1.2x levels. The rating continue to derive comfort from the healthy revenue visibility in line with the PPA signed with SECI for 25 years and the comfortable debt repayment schedule and DSRA arrangement with the lender. ICRA also take into account the increasing presence of technically and financially strong parent in India through other new projects and long term comprehensive O&M contract signed with parent. The rating also factors in the presence of adequate evacuation infrastructure and limited counterparty risks given healthy credit profile of SECI (ICRA AA-/Stable/A1+).

The rating, however, remain constrained by the limited track record of operations in terms of sustainability of the generation levels which remain vulnerable to degradation in module efficiency, the climatic conditions and other extrinsic factors. During 10 months of operations in FY2016, NSPPL reported average PLF of less than 17% partly affected by cloudy weather conditions during later half along with general stabilization issues with regards to evacuation infrastructure and generation levels. The PLFs has improved over last two months given favourable weather conditions. The company has made provisions for mechanical seasonal tilt now and same is expected to enhance plant utilization going forward. The company had won tender in aggressive bidding process resulting in relatively moderate estimated project returns and provides limited cushion for downward variation in power generation levels and increasing interest rate scenarios over the long term. The NSM Phase II Batch I projects were bid under the VGF scheme of MNRE with fixed tariff and hence timely disbursement of VGF from SECI remain critical though disbursement of first instalment of VGF (50% of agreed VGF) in December 2015 mitigates risks to a large extent. Ensuring adequate plant utilization and management of the receivables cycle remain key sensitivity factors in long term while timely disbursement of remaining tranches of VGF is the key sensitivity factor in medium term.

Company Profile

NSSPL is a wholly owned subsidiary of Solairedirect Energy India Private Limited (SEIPL, rated ICRA BBB+/Stable/A2+). It has set up a 20 MW Solar Photo Voltic (PV) power plant in Village Khetusar, Jodhpur, Rajasthan under National Solar Mission (NSM) Phase II Batch I. The company has entered into a 25 year Power Purchase Agreement (PPA) with Solar Energy Corporation of India (SECI) at a fixed tariff rate of Rs 5.45 per unit. It has also entered into a securitization agreement with SECI for VGF (Viability Gap Funding) of Rs. 2.19 crore per MW with total VGF for 20 MW amounting to Rs. 43.80 crore. The first tranche of 50% of VGF was disbursed in December 2015 and rest of five tranches of 10% each are to be disbursed over next five years. The entire 20 MW power plant has commissioned operations in May, 2015. Total project cost for the plant was Rs. 172.9 crore funded through Rs. 43.2 crore equity and Rs. 129.7 crore term loan which include Rs. 43.8 crore VGF loan.

SEIPL is a step down subsidiary of France based utility major ENGIE (rated Moodys A2/Stable) held through Solairedirect France. ENGIE is one of the largest European integrated utilities with substantial assets along the energy value chain, both in Europe and further afield, as well as in energy services. The ENGIE group is listed on Euronext Paris and Euronext Brussels and is 32.8% owned and 36.7% controlled by the French government. Solairedirect France (SD group including SEIPL) had 52 solar parks in operation or under construction for an installed capacity of 486 MW worldwide including France, India, South Africa and Chile.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



SEIPL is the holding company of group's solar projects in India and it also provides EPC as well as O&M services to all project specific SPVs. The group has already commissioned 165 MW solar capacity in India and have confirmed order book of 215 MW as on date to be executed over next 15 months.

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