

March 31, 2017

## Kiran Renewables Private Limited

| Instrument*  | Rated Amount<br>(in crore) | Rating Action                |
|--------------|----------------------------|------------------------------|
| Term Loans   | 25.00                      | [ICRA]BBB- (stable) assigned |
| <b>Total</b> | <b>25.00</b>               |                              |

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has assigned a long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the term loans of Rs. 25.00 crore<sup>1</sup> of Kiran Renewables Private Limited (KRPL). The outlook on the rating is stable.

### Rationale

The assigned rating favourably factors in the revenue and cash flow visibility for the company's solar project, arising from the long-term Power Purchase Agreement (PPA) with Godrej & Boyce Mfg. Co. Limited (GBMCL) for the plant's entire capacity of 4 MW. Furthermore, the rating is supported by the lower counterparty credit risk associated with GBMCL, evident from the satisfactory track record of prompt receipt of payments by the company. The rating also draws comfort from the stable operational performance of the company's plant post commissioning. ICRA also favourably notes the high pedigree professional management team in place, along with Private Equity (PE)-backed support for the Group.

The rating is, however, constrained by the limited track record of operations as the project was commissioned in October, 2015. The rating also takes into account the company's highly leveraged capital structure owing to the debt-funded nature of the project capex and the moderate return indicators owing to the high capital costs. The ratings are further constrained by risk of reduction in off-take by GBMCL as the contracted tariff is higher than the existing competitively bid solar tariff. However, ICRA takes a comfort from the stringent termination penalty, which is equivalent to three years' of billing on GBMCL in case it defaults on its obligations. The cash flows of the company remain sensitive to the Plant Load Factor (PLF), which depends on solar irradiation levels; however, variations in PLF of solar plants are expected to be relatively lower than other renewable based projects. The company plans to expand the capacity of its solar plant, and the timelines and funding mix for the same would be a key rating sensitivity.

### Key rating drivers

### Credit Strengths

- Strong revenue and cash flow visibility in the long term on account of strong PPA in place with GBMCL for the entire 4 MW generation capacity
- Stable performance of the company's solar plant post-commissioning
- Relatively lower counter party credit risk with respect to GBMCL
- High pedigree professional management team

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>1</sup> For complete rating definition please refer to ICRA Website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

## Credit Weakness

- Limited track record of operations
- Highly leveraged capital structure owing to debt-funded nature of project capex
- Risk of reduction in offtake by GBMCL due to lower cost competitiveness of the project tariff
- Sensitivity of cash flows to the PLF of the plant, which depends on solar irradiation levels; however, variations in PLF of solar plants are expected to be relatively lower compared to other renewable-based projects

## Description of key rating drivers highlighted above:

KEPL's four MW solar plant in Maharashtra has a stable operational track record since its commissioning in October 2015 and reported PLF of 20.9% in CY2016. Nonetheless, the operations remain exposed to technical risks arising from the limited track record of utility-scale solar power projects in India and the absence of adequate technical performance record of imported equipment in Indian conditions. The solar project was setup at a relatively high capital cost than that of traditional fuel-based power plants, though it enjoys remunerative tariffs of Rs. 6.9/kWh per unit for the first year with an annual escalation of 2.75% for first five years and flat thereafter. The counter party credit risks associated with GBMCL are relatively lower; however, the landed cost of power for GBMCL would be high given the additional wheeling and transmission charges to be borne by GBMCL along with cross-subsidy surcharges. Nonetheless, voluntary effort by the Godrej Group to increase its sourcing of renewable energy is a key driver for the project development.

The company's return indicators are moderate owing to the high capital costs incurred in setting up of the project. The company's gearing levels remained high (2.26 times as on end December 2016) on account of the debt-funded project setup. The liquidity profile of the company is, however, adequate with cash and bank balances at Rs. 2.18 crore as on end December 2016, which also includes DSRA equivalent to two months' principal and interest.

**Analytical approach:** Based on company's standalone fundamentals

## Links to applicable Criteria

[Corporate Credit Ratings: A Note on Methodology  
IPPs and Power Generation Projects](#)

## About the Company:

Kiran Renewables Private Limited (KRPL) is a wholly owned subsidiary of Kiran Energy Solar Power Private Limited (KESPPL). KESPPL was setup in 2010 with the principal objective of setting up solar power projects in India. It is promoted by Mr. Alan Rosling and Mr. Ardeshir Contractor. KESPPL has been funded with its Series A USD 50 million funding from three private equity players, viz. Bessemer Venture Partners, New Silk Route and Argonaut Ventures, who hold about 80% equity stake in the company.

KRPL has setup a 4 MW photo voltaic (PV) solar power plant at Baramati in Pune, Maharashtra under the Open Access Policy. The project was commissioned in October, 2015. The company has signed a Power Purchase Agreement (PPA) with GBMCL for a period of 25 years. The tariff is Rs. 6.9 per unit for the first year with an annual escalation of 2.75% for first five years and flat thereafter.



In FY2016, the company reported a profit after tax (PAT) of Rs. 0.04 crore on an operating income of Rs. 2.59 crore. For the nine-month period of FY2017, the company had a PAT of Rs. 0.30 crore on an operating income of Rs. 3.66 crore (provisional).

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

**Table: Rating History**

| S.No | Name of Instrument | Current Rating |                           |                     | Chronology of Rating History for the past 3 years |                                |                                |
|------|--------------------|----------------|---------------------------|---------------------|---|--------------------------------|--------------------------------|
|      |                    | Type           | Rated amount (Rs. Crores) | Month-year & Rating | Month- year & Rating in FY2016                    | Month- year & Rating in FY2015 | Month- year & Rating in FY2014 |
|      |                    |                |                           | March 2017          | NA  | NA                             | NA                             |
| 1    | Term Loans         | Long Term      | 25.00                     | [ICRA]BBB-(stable)  | NA  | NA                             | NA                             |

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Details of Instrument**

| <b>Name of the instrument</b> | <b>Date of issuance</b> | <b>Coupon rate</b> | <b>Maturity Date</b> | <b>Size of the issue (Rs. Cr)</b> | <b>Current Rating and Outlook</b> |
|-------------------------------|-------------------------|--------------------|----------------------|-----------------------------------|-----------------------------------|
| Term Loans                    | -                       | 12%                | Sep 2031             | 25.00                             | [ICRA]BBB- (stable)               |

*Source: Kiran Renewables Private Limited*

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About ICRA Limited:

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