

Consol Energy Private Limited

April 04, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Term Loan	15.00	15.00	[ICRA]BB+ (Stable); upgraded from [ICRA]B+(Stable)
Total	15.00	15.00	

Rating action

ICRA has upgraded the long-term rating to [ICRA]BB+ (pronounced ICRA double B plus) from [ICRA]B+ (pronounced ICRA B plus) assigned to the Rs. 15.00-crore¹ fund-based term-loan facilities of Consol Energy Private Limited (CEPL)². The outlook on the long-term rating is Stable.

Rationale

The upgrade in the rating factors in the satisfactory Plant Load Factor (PLF) of 18.26% for the past 12 months since the solar power plant commissioning in December, 2016. The rating also considers presence of a long-term power purchasing agreement (PPA) with the Bangalore Electricity Supply Company Limited (BESCOM) at a tariff of Rs. 8.40 per unit for 25 years and satisfactory track record of payments from the DISCOM wherein payments are received within 1-2 days from the day of raising invoice. The rating is, however, constrained by CEPL's weak financial risk profile with a gearing of 4.14 times, interest coverage ratio of 1.55 times in FY2017 and exposure of the project to the counterparty credit risk as BESCOM is the sole off-taker. ICRA also notes the sensitivity of solar power generation to adverse variations in weather conditions due to its single-asset nature of operations and panel degradation that may negatively impact the company's cash flows as the revenues are linked to the actual units generated and exported.

Outlook: Stable

The Stable outlook reflects ICRA's expectation that the company's revenues would remain stable with satisfactory PLF levels, coupled with fixed PPA tariff in place. The outlook may be revised to 'Positive' if the generation exceeds the projected PLF, leading to growth in revenue and profitability and strengthening the financial risk profile. The outlook may be revised to 'Negative' if there is considerable underperformance in the PLF levels and/or payments are delayed significantly from the off-taker utility.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

Experienced promoters in the power-related industry - The promoters have more than two years of experience in the solar-power business with the promoters having 12 MW of operational solar power capacity in total. The group operates 3-MW power plant under Traxun Energy Private Limited and 3-MW power plant under Nexun Energy Private Limited, which became operational in December 2016. It also has a 3-MW power plant under Sowihy Energy Private Limited, which became operational in February 2017.

Satisfactory operating track record of the plant during the current year - The solar power plant commenced power generation from December 2016 and the average PLF of the plant remained satisfactory at 18.26% in the past 12 months. The total project cost was Rs. 21.14 crore, funded by Rs.15-crore term loan and is to be repaid over 14 years. The term loan repayments have started from April 2017 and the company has created a partial DSRA from the project cash flows. The company would be creating DSRA for one quarter's principal and interest from the project cash flows and is a key rating monitorable.

Long-term PPA with BESCOM mitigates the demand and pricing risks - The company has signed a PPA with BESCOM at an approved feed-in tariff of Rs. 8.40 per unit for 25 years, which limits the demand and pricing risks.

Credit challenges

Limited revenue stream and track record – The company's scale of operations is small as the source of income is mainly sale of power, generated from solar power plant of 3 MW, which has been operational for the past 15 months.

Counterparty credit risk of BESCOM - The solar power project has a long-term PPA of 25 years in place with BESCOM, at a tariff of Rs. 8.40 per unit, exposing the risk of payments getting delayed. However, the company has been receiving payments from BESCOM within 1-2 days from the date of invoice in the past 10 months.

Lack of geographical diversification – The company is exposed to single location and single-asset nature of the operations as the entire 3-MW solar power plant is located in Raichur district in Karnataka.

Variance is relatively lower for solar power-based projects than other renewable source-based projects - The solar power plant operations are impacted by solar radiation levels, losses in PV systems due to temperature and climatic conditions, inverter efficiency and module degradation due to ageing. However, the variance in solar levels has historically been much lower compared to other sources of renewable energy, such as wind and hydro-power projects.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Solar Power Producers](#)

About the company:

Consol Energy Private Limited was incorporated in 2015 and has developed a 3-MW AC grid connected Solar PV power plant in Kadluru village, Devasuguru Hobli in Raichur district, Karnataka. The company has entered into a PPA with BESCOM, for 25 years at a tariff of Rs. 8.40 per unit from the commercial date of operations. The commercial operations of the plant started in December 2016. The total project cost stood at Rs. 21.14 crore, funded by term loan of Rs.15 crore from bank, Rs. 4 crore of equity and the remaining Rs.2.14 crore in the form of unsecured loan from promoters.

In FY2017 audited financials, the company reported a net profit of Rs. 0.09 crore on an operating income of Rs. 1.22 crore.

Key financial indicators (Audited)

	FY2017
Operating Income (Rs. crore)	1.22
PAT (Rs. crore)	0.09
OPBDIT/ OI (%)	65.53%
RoCE (%)	21.39%
Total Debt/ TNW (times)	4.14
Total Debt/ OPBDIT (times)	21.21
Interest Coverage (times)	1.55
NWC/ OI (%)	4%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017 January 2017	Date & Rating in FY2016	Date & Rating in FY2015
1 Fund-based-Term Loan	Long Term	15.00	14.35	April 2018 [ICRA]BB+ (Stable)	[ICRA]B+ (Stable)	-	-

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

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	July,2016	NA	March,2031	15.00	[ICRA]BB+ (Stable)
Source: CEPL						

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