

June 25, 2020

## Slv Power Pvt Ltd: Rating of [ICRA]BB (Stable) assigned

### Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based- Term Loan	104.60	[ICRA]BB (Stable); Assigned
Long Term - Unallocated	0.40	[ICRA]BB (Stable); Assigned
<b>Total</b>	<b>105.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The assigned rating favourably factors in the commissioning of the 24-MW small-hydropower plant (SHP) on Aniyur stream (a tributary of Netravati river) near Neriya Village in Dakshina Kannada District of Karnataka state; and revenue visibility owing to the presence of long-term power purchase agreement (PPA) with Mangalore Electricity Supply Company Limited (MESCOM) at competitive tariff of Rs. 4.16/unit for a tenure of 35 years from COD. The rating also considers low counter-party credit risk with payments from MESCOM received within 30 days from the date of billing and low project gearing of 0.9 times as the total project cost of Rs. 219.6 crore was funded by Rs. 104.6 crore term loan and remaining Rs. 115.0 crore promoter funds.

The rating, however, is constrained by the limited operational track record of the SHP with commercial operations started on November 21, 2019 and exposure of the project cashflows to hydrological risk in the absence of a deemed generation clause. Further, ICRA notes that the debt metrics for the project remain sensitive to PLF levels; as a result, any adverse variation in water availability may impact PLF and consequently the cash flows. The rating is also constrained by limited experience of promoters in running a hydropower plant. The rating also factors in low minimum DSCR of 0.96 times for FY2022 due to high annual repayments of Rs. 10.46 crore as the debt repayment tenure is only ten years.

The stable outlook reflects ICRA's expectation that the revenues of SLV Power Private Ltd (SLV) to improve owing to long-term PPA in place with MESCOM.

### Key rating drivers

#### Credit strengths

**Long-term PPA with MESCOM gives revenue and cash flow visibility:** The company had signed a PPA with MESCOM at competitive tariff of Rs. 4.16 per unit for the entire capacity of 24 MW for a period of 35 years, which limits offtake and pricing risk and, provides revenue and cash flow visibility.

**Low counterparty credit risk with off-taker being MESCOM:** The company supplies the entire power generated to MESCOM and the payments from MESCOM are satisfactory with payments generally received within 30 days from date of invoice limiting the counterparty credit risk to an extent.

**Low project gearing:** The total project cost for the 24 MW SHP was Rs. 219.60 crore and was funded by Rs. 104.60 crore of debt and Rs. 115.0 crore of promoter contribution leading to project gearing of 0.9 times as on March 31, 2020.

## Credit challenges

**Limited operational track record of the plant:** The 24 MW hydropower plant commenced commercial operations on November 21, 2019. As with any hydro power plant, the plant is expected to generate high PLFs during the rainy months of June, July, August and September which together account for 80% of yearly generation.

**Debt metrics for hydro power projects remain sensitive to PLF levels and is exposed to hydrological risk:** Given the fixed single part nature of the tariff, the company's revenues and cash flows remain a function of the PLF levels. The PLF levels remain vulnerable to availability of water in Aniyur stream which further depends on rainfall in that region. The generation is further exposed to hydrological risk, given that the project is not covered under any deemed generation clause in case of loss of generation due to shortage of water.

**Limited experience of promoters in running a hydropower plant increases the operational risk profile:** The O&M activities of the hydropower plant are managed inhouse. The project is exposed to operational and maintenance risk with the promoters having limited experience in running a hydropower plant.

**Low minimum DSCR due to short debt tenure:** The project has a low minimum DSCR of 0.96 times during FY2022 due to high annual principal repayment obligation of Rs. 10.46 crore as the debt repayment tenure is only ten years while the PPA is valid till 2054.

## Liquidity Position: Stretched

The company has a cash balance of Rs. 0.3 crore as on March 31, 2020 and expects to generate operating profits of Rs 22.66 crore during FY2021 at P90 PLF levels. In relation to these, the company has a repayment obligation of Rs. 5.23 crore during January 2020 and interest payments from September 2020 as the company opted for moratorium as part of the moratorium announced by RBI owing to Covid-19 pandemic. In addition, SLV has to create a Debt Service Reserve Account (DSRA) with a balance equivalent to 3 months principal and interest payment obligation by September 20, 2020. Further, the liquidity position is also supported to an extent by the promoter's ability to infuse funds in case of any shortfall.

## Sensitivity Analysis

**Positive Triggers:** – ICRA could upgrade the rating of SLV if they demonstrate improvement in their operational risk profile through improved plant load factor greater than P-90 generation level. Specific credit metrics that could lead to an upgrade of rating include annual DSCR above 1.2 times on a sustained basis.

**Negative Triggers:** - Negative pressure on SLVPPL rating could arise if the operational performance of the plant is lower than estimated leading to weaker coverage indicators. Further, the rating will be downgraded if there is any delay in receiving payment from the off-taker impacting the liquidity position adversely.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate rating methodology</a>
Parent/Group Support	Not Applicable
Consolidation / Standalone	The ratings are based on standalone financial statements of the company

## About the company

SLV Power Pvt Ltd (referred as SLV) is a private limited company promoted by Yenepoya Energy Private Limited (YEPL) to develop, own and operate a run-of-the-river 24 MW hydro power project on the river Aniyur (a tributary of Netravati river) near Neriya village in Dakshina Kannada district. YEPL is part of Yenepoya group of companies promoted by Yenepoya Mohammed Kunhi and Yenepoya Abdulla Kunhi with Yenepoya Abdulla Javeed as director. The company has successfully commissioned the hydropower plant on November 21, 2019 and has a PPA with Mangalore Electricity Supply Company Limited for a period of 35 years at a fixed tariff of Rs. 4.16 per unit.

## Key financial indicators

	FY2019	FY2020 (Provisional)
Operating Income (Rs. crore)	0.00	0.83
PAT (Rs. crore)	0.02	-8.34
OPBDITA/ OI (%)	-	-4.86%
RoCE (%)	-	-1.33%
Total Outside Liabilities/Tangible Net Worth (times)	3.29	5.11
Total Debt/OPBDITA (times)	-	-4215.08
Interest Coverage (times)	-	-0.01
DSCR	-	0.00

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

**Any other information: None**

### Rating history for last three years:

Instrument	Current Rating (FY2021)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar-20 (Rs. crore)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
				25 June 2020	-		
Fund based- Term Loan	Long Term	104.6	104.6	[ICRA]BB (Stable)	-		
Fund based- Unallocated	Long Term	0.40	-	[ICRA]BB (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](http://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	Fund based-Term Loan	FY2017	-	FY2032	104.6	[ICRA]BB (Stable)
NA	Unallocated	-	-	-	0.40	[ICRA]BB (Stable)

Source: SLV

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