New ERA Enviro Ventures Pvt. Ltd.

March 14, 2019

Summary of rated action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Term Loan	15.00	10.85	[ICRA]BB- (Stable); Reaffirmed
Unallocated	0.00	4.15	[ICRA]BB- (Stable); Reaffirmed
Total	**15.00**	**15.00**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation is constrained by the moderate plant load factor (PLF) of 14% during the past four years, which is lower than the design PLF owing to constraints in evacuation facility. It also factors in the company's exposure to foreign exchange fluctuations as it has availed a term loan in foreign currency to part-fund the project cost, which is completely un-hedged. The rating considers its weak financial profile with net losses for the past two years due to forex fluctuations, high gearing of 2.3 times as on March 31, 2018 and interest coverage at 1.9 times for FY2018. The DSCR has been less than 1 for the past two years owing to higher interest expenses due to short-term loan availed against fixed deposits of the Group company, Eclat Health Solutions Private Limited. The shortfall is funded by timely infusion of unsecured loans from promoters. The rating is also constrained by the sensitivity of solar power generation to adverse 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.

The rating, however, favourably factors in the operational track record of the solar power plant for the last seven years with an average PLF of 14.72%, presence of a long-term power purchase agreement (PPA) with the Jharkhand State Electricity Board Limited (JSEBL) for the entire generation capacity of 2-MW for 25 years at a tariff of Rs. 17.96 per unit. This limits the demand and tariff risks. The rating notes the satisfactory track record of payments from the discom, wherein payments were generally received within 15-70 days from raising the invoice in the last 24 months.

Outlook: Stable

The Stable outlook reflects ICRA's belief that the company's revenues are likely to remain stable with fixed tariff PPA in place and expected improvement in the PLF levels. The outlook may be revised to Positive if the generation exceeds the projected PLF, leading to growth in revenue and profitability, thus strengthening the financial risk profile. The outlook may be revised to Negative if there is any significant deviation in the PLF being generated, affecting the cash flow position.

Key rating drivers

Credit strengths

Experienced promoters in the solar industry: The promoters have more than two decades of experience in the solar power industry. Further, the promoters also have diversified presence in other industries like bakery, education, health care, IT solutions etc.

Long-term PPA with JSEBL mitigates the demand and pricing risks: The company had signed a PPA with JSEBL at an approved feed-in tariff of Rs. 17.96 per unit for the entire capacity for a period of 25 years, which limits the demand and pricing risk. Moreover, the payments from the same have been received within 15-70 days from the date of raising the invoice for the last two years, which supports the liquidity position.

Operational track record of seven years: The power plant has an operational track record of seven years with an average PLF of 14.72%. However, the PLF is lower than the designed PLF due to constraints in evacuation facility, which is expected to be upgraded by September 2019 and the work related for the same has already started.

Credit challenges

Weak financial risk profile: The company's financial risk profile is weak with the gearing at 2.3 times, interest coverage at 1.9 times and DSCR at 0.9 times as on March 31, 2018. The DSCR was less than one owing to high interest expenses and repayments but was supported by regular infusion of funds by promoters.

Exposed to foreign currency exchange risk: The company has availed foreign currency loan to part fund the project cost. The foreign currency loan is completely un-hedged exposing it to foreign currency risk, which also led to net losses over the last two years.

Exposed to irregularity in cash flows because of changes in solar irradiance: The company's 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.

Lack of geographical diversification: The company remains exposed to the geographical concentration risk because of its presence in a single location and its single-asset nature of operations. Its entire 2-MW solar power plant is located in Charki village of Deoghar district in Jharkhand.

Liquidity position

The company has availed Rs. 25.00-crore term loan from Exim Bank and the Union Bank of India to part fund the 2-MW solar power plant, for which the repayments have already started. It has annual repayment obligation of Rs. 2.62 crore towards the same. The cash accruals were lower than the actual repayment in the last two years, which was supported by regular infusion of funds from promoters.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Power Producers
Parent/Group Support	Not Applicable
Consolidation / Standalone	Standalone

About the company

New ERA Enviro Ventures Pvt. Ltd. (NEEVPL) is operating a 2.00-MW solar photovoltaic (PV) power plant in Charki village of Deoghar district in Jharkhand. The company has entered into a PPA with the Jharkhand State Electricity Board for supply of power for 25 years at a rate of Rs. 17.96 per unit. The solar power project commenced its operations in March 2012.

NEEVPL reported an operating income (OI) of Rs. 5.6 crore and a net loss of Rs. 0.1 crore in FY2018 against an OI of Rs. 4.6 crore and a net loss of Rs. 0.5 crore in FY2017.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	4.6	5.6
PAT (Rs. crore)	-0.5	-0.1
OPBDIT/ OI (%)	86.4%	86.2%
RoCE (%)	2.5%	6.7%
Total Debt/ TNW (times)	2.8	2.3
Total Debt/ OPBDIT (times)	7.5	5.0
Interest Coverage (times)	2.6	1.9

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 March 2019	Date & Rating in FY2018 December 2017	Date & Rating in FY2017 -	Date & Rating in FY2016 January 2016
1	Fund-based-Term Loans	Long Term	10.85	10.85	**[ICRA]BB-(Stable)**	**[ICRA]BB-(Stable)**	-	**[ICRA]D; Suspended**
2	Unallocated	Long Term	4.15	-	**[ICRA]BB-(Stable)**	**[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

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,2011	NA	March,2026	10.85	[ICRA]BB-(Stable)
NA	Unallocated				4.15	[ICRA]BB-(Stable)

Source: NEEVPL

ANALYST CONTACTS

K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

R. Srinivasan
+91 44 4596 4315
r. srinivasan@icraindia.com

Vinay Kumar G
+91 40 4067 6533
vinay.g@icraindia.com

Prateek Pasari
+91 40 4067 6517
prateek.pasari@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@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:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

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ICRA Limited

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

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
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