CRISIL
Ratings

Rating Rationale

December 14, 2023 | Mumbai

Dayakara Solar Power Private Limited

Rating upgraded to 'CRISIL BBB+/Stable'

Rating Action

Total Bank Loan Facilities Rated	**Rs.159.99 Crore (Reduced from Rs.170.58 Crore)**
Long Term Rating	**CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB/Stable')**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facility of Dayakara Solar Power Pvt Ltd (DSPPL) to **'CRISIL BBB+/Stable'** from 'CRISIL BBB/Stable'. CRISIL Ratings has **withdrawn** its rating on bank facilities worth Rs.10.59 crore as the company has repaid the facilities (confirmed by the lender). This is in line with the CRISIL Ratings policy on withdrawal of ratings.

The upgrade factors in the significant improvement in receivables from Southern Power Distribution Company of Telangana Ltd (TSSPDCL), and track record of maintaining liquidity of 6 months of debt servicing for the Acme obligor-co-obligor group (ACG) comprising three special-purpose vehicles (SPVs): DSPPL, Grahati Solar Energy Pvt Ltd (GSEPL) and Mihit Solar Power Pvt Ltd (MSPPL). Receivables for DSPPL improved to ~Rs 5.6 crore (payment being received on average of 75 days) as of September 2023 from ~Rs 50.6 crore (470 days) as of March 2022.

The rating reflects the revenue visibility, adequate debt-servicing metrics and defined waterfall mechanism of DSPPL. These strengths are partially offset by exposure to counterparty risks and to risks inherent in the operations of renewable energy assets.

Analytical Approach

CRISIL Ratings has assessed DSPPL on the following analytical approach:
(i) Assessment of the standalone credit risk profile of DSPPL
(ii) Assessment of the credit risk profile of ACG
(iii) Arriving at the final rating by factoring in the expected support from ACG

Each of the three SPVs has executed an undertaking stating that surplus in any of the individual SPVs can be utilised for debt obligation in the other two SPVs, if required. This undertaking is part of the financing documents. Default under the undertaking will result in an event of default under the financing agreement. Thus, after debt-servicing in each SPV, excess cash flow is largely available for use across the group. Power Finance Corporation is the sole lender in each of the SPVs.

Key Rating Drivers & Detailed Description

Strengths:

- **Revenue visibility through power purchase agreement (PPA):** The 25-year PPA in DSPPL signed with TSSPDCL for capacity of 30 megawatt (MW) minimizes offtake risk and provides revenue visibility. The PPA has a tariff of Rs 6.848 per kilowatt hour (kWh) fixed for the entire tenure.

  The aggregate capacity of MSPPL, DSPPL and GSEPL under ACG is 154 MW. The capacity of 74 MW in MSPPL is tied up through a 25-year PPA with Punjab State Power Corporation Ltd (PSPCL) at a fixed tariff of Rs 7.09/kWh, and capacity of 50 MW in GSEPL is tied up through a 25-year PPA with TSSPDCL at a fixed tariff of Rs 6.74/kWh. The entire 154-MW capacity became operational in fiscal 2017.

- **Adequate debt-servicing metrics:** Fixed-tariff PPA with PSPCL and TSSPDCL should ensure adequate average debt service coverage ratio over the tenure of the debt for DSPPL and ACG. Furthermore, all the three SPVs have a healthy PPA tail period of ~5 years.

  Debt service reserve account (DSRA) covering one quarter of debt servicing (~Rs 6.62 crore for DSPPL and ~Rs 34.50 crore for ACG) is maintained in the form of fixed deposits. The entities have also confirmed that additional cash liquidity of one quarter, over and above the DSRA, will be maintained in all SPVs going forward. Any deviation in this understanding will be a rating sensitivity factor.

- **A defined waterfall mechanism:** The lender has control over the cash flow of the three SPVs through a separate trust and retention account (TRA) for each SPV, with a defined waterfall mechanism for prioritisation of cash flow for repayment of debt. As per the TRA agreement, any outflow, including transfer of surplus, is subject to the defined TRA waterfall mechanism (detailed subsequently).

Weaknesses:

- **Exposure to counterparty risk:** DSPPL and GSEPL contribute to 52% of the capacity of ACG, which is tied up with TSSPDCL. MSPPL contributes to the remaining 48% capacity, which has PSPCL as the counterparty. While the payments in MSPPL are received within 2-3 months of billing date since commissioning, the receivable cycles in DSPPL and GSEPL were earlier stretched due to delayed payments from TSSPDCL. This, however, has improved to 127 days and 126 days for DSPPL and GSEPL, respectively, in fiscal 2023.

  Receivables in DSPPL and GSEPL were ~Rs 50.6 crore (470 days) and ~Rs 81.3 crore (473 days), respectively, as on March 31, 2022. Due to delays in receipts from TSSPDCL, both DSSPL and GSEPL had to rely on surpluses from MSPPL to meet their debt obligations.

  DSPPL and GSEPL have received all prior dues in the form of instalments under new the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, as per which the dues from March 2021 till April 2022 were to be paid by TSSPDCL in 12 equated monthly instalments (EMIs), the last of which was received in June 2023. Additionally, monthly dues since the implementation of the scheme have been received with a lag of 2-3 months from billing date, which improved receivables position for DSPPL and GSEPL to ~75 days as of October 2023.

  Continuation of timely receipts of the dues from TSSPDCL will remain monitorable.

- **Susceptibility to risks inherent in renewable power projects:** Cash flow of DSPPL remains sensitive to plant load factor (PLF) that depends entirely on solar irradiance and weather patterns, which are inherently unpredictable. This uncertainty may impact the debt-servicing capability of the company. All the projects in ACG have performed close to P90 PLF in the past five years.

Liquidity: Adequate

Cash accrual in DSPPL, expected at Rs 34-35 crore each in fiscals 2024 and 2025 (at P90 PLF), should cover yearly debt obligation of Rs 27-28 crore. DSPPL has DSRA fixed deposit of Rs 6.62 crore covering three months of debt servicing. Additionally, cash and fixed deposits (excluding DSRA) stood at Rs 5.88 crore as on October 31, 2023.

For ACG, cash accrual is expected at Rs 158-160 crore each in fiscals 2024 and 2025 (at P90 PLF), which should cover yearly debt obligation of Rs 120-122 crore. The entities have cumulative DSRA fixed deposits of ~Rs 34.5 crore covering three months of debt servicing and additional cash and fixed deposits (excluding DSRA) of ~Rs 48 crore as on October 31, 2023. Furthermore, all the three SPVs shall maintain additional cash liquidity equivalent to three months of debt servicing over and above the DSRA.

Outlook: Stable

DSPPL is expected to benefit from the long-term PPA and adequate operational performance (PLF).

Rating Sensitivity Factors

Upward factors

- Sustained higher generation at ~P75 levels for 2-3 years and stable receivables period of 2-3 months for sustained period of time.
- Faster-than-expected deleveraging leading to sharper improvement in average DSCR (at P90 performance).

Downward factors

- Deterioration in the receivable cycle.
- Significant weakening in performance from P90 PLF levels.
- Higher-than-budgeted operations and maintenance (O&M) expenses.
- Weakening of the credit risk profile of MSPPL.

TRA waterfall mechanism

The receivables deposited or credited into the designated account shall be appropriated for the following purposes in the following order of priority:

- Statutory dues, with prior written consent of the lender
- O&M expenses, with prior written consent of the lender
- Debt service payments, with prior written consent of the lender
- DSRA, with prior written consent of the lender
- Major maintenance, with prior written consent of the lender
- Amount to replace the solar modules and balance of plant (BoP), if required, to bridge the shortfall from insurance receipt to ensure that capacity is in line with bid condition/PPA at all times
- To meet the obligation of the borrower under the co-obligor undertaking to meet any shortfall in the debt servicing of the lenders of the co-obligors. The aforesaid amount required to service the debt repayment of the lenders of the co-obligors shall have been initiated by the lenders of the co-obligor by giving a written notice of not less than 5 business days prior to any monthly distribution date (12th day of each month and if such day is not a business day, then the immediately preceding business day).

Surplus, if any, shall be allowed to overflow to the borrower.

About the Company

DSPPL was incorporated on January 19, 2015, under the Companies Act, 2013. The company operates a solar power project of 30 MW in Telangana and has signed a PPA with a fixed tariff of Rs 6.848 per kWh for 25 years. It is a part of the Acme Solar group.

Key Financial Indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	39.43	39.36
Reported profit after tax (PAT)	Rs crore	4.85	2.76
PAT margin	%	12.3	7.0
Adjusted debt/adjusted networth	Times	2.09	2.35
Interest coverage	Times	2.11	2.04

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Rupee Term Loan	NA	NA	July-2035	159.99	NA	CRISIL BBB+/Stable
NA	Rupee Term Loan	NA	NA	NA	10.59	NA	Withdrawn

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	170.58	CRISIL BBB+/Stable		--	22-11-22	CRISIL BBB/Stable	06-09-21	CRISIL BBB+/Stable		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Rupee Term Loan	**159.99**	**Power Finance Corporation Limited**	**CRISIL BBB+/Stable**
Rupee Term Loan	**10.59**	**Power Finance Corporation Limited**	**Withdrawn**

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
The Rating Process
Criteria for rating instruments backed by guarantees
Criteria for rating solar power projects
Criteria for Notching up Stand Alone Ratings of Companies based on Group Support

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Manish Kumar Gupta Senior Director **CRISIL Ratings Limited** B:+91 124 672 2000 manish.gupta@crisil.com Ankit Hakhu Director **CRISIL Ratings Limited** D:+91 124 672 2107 ankit.hakhu@crisil.com Aaditya Gupta Rating Analyst **CRISIL Ratings Limited** B:+91 124 672 2000 Aaditya.Gupta1@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect w ith us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html