

Rating Rationale

Brickwork Ratings has assigned 'BWR BBB-' rating for Bank Loan Facilities aggregating ₹ 231.98 Cr of Alex Astral Power Pvt. Ltd.

Brickwork Ratings has assigned the following **Rating¹** for Bank Credit facilities availed on a consortium lending arrangement wherein *State Bank of India* being the lead bank, amounting to Rs.231.98 Cr by Alex Astral Power Pvt. Ltd. (AAPPL or the 'Company'):-

Facility	Amount (₹ Cr)	Tenure	Rating
Fund Based	231.98	Long Term	BWR BBB- (Pronounced as BWR Triple B minus) (Outlook: Stable)
Term Loan			
Total	231.98	INR Two Hundred & Thirty One Crores and Ninety Eight Lakhs only	

BWR has principally relied upon the audited financial results of FY12 – FY14, provisional key figures of FY15, and projected financial results of FY16 – FY17 and publicly available information and information/clarification provided by the company's management.

The rating has factored, *inter alia*, highly qualified and experienced management; locational advantage of the plant with a minimum guaranteed CUF of 19.25%; consistent revenue generation assurance owing to the long term PPA with *Gujarat Urja Vikas Nigam Ltd. (GUVNL)* for 25 years; moderate financial risk profile as indicated by reasonable net worth and ability of the promoters to infuse fund in the business and high profitability arising out of its core operation. BWR has also factored the projection of achieving book profit in FY16, as reported by the management.

The Rating is however, constrained by, high gearing level of the company, being in the nascent stage with huge CapEx during the commencement of the plant; weak coverage ratios in FY 14, owing to the book loss vis-a-vis its huge debt obligations, however it is being offset by the company's ability to service its debt obligation on/ahead of schedule and has shown improvement in FY15; inherent risk of the industry pertaining to the climatic condition which might affect the profitability of the company.

Background:

Alex Astral Power Pvt. Ltd. (AAPPL) was incorporated in 2009 by Kolkata based Sureka family. The company has two directors/Promoters namely, Mr. Prannay Sureka and Mr. Pratyush Kumar Sureka.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The promoters started its entrepreneurship in real estate industry based in Kolkata and gradually diversified to solar power plant industry in 2009.

It started with a major plant of 25 MW situated at Charanka solar power plant, Gujarat and it also has solar plants situated at Rajasthan and Orissa of 5 MW each.

The company has entered into a PPA with Gujarat Urja Vikas Nigam Limited (GUVNL) (rated as *CARE A+ as on 26th March 2015*) for a period of 25 years. The rate per unit of electricity produced and sold to GUVNL is Rs.15/KwH for the first 12 years and thereafter Rs. 5/KwH for the rest of the period. It has a comprehensive O&M contract wherein all the repairs and maintenance will be provided by the O & M contractor and is also coupled with a clause which states that the O&M contractor has guaranteed a minimum operational level of 19.25% and any revenue loss where PLF is less than 19.25% will be borne by the O&M contractor.

AAPPL built a PV solar plant using thin *film CdTe technology* which is more suitable in India considering its extreme and harsh weather conditions. These equipments were all procured from *First Solar (USA)*, a leading manufacturer in this industry.

It also has its group concerns namely Alex Spectrum Radiation Pvt. Ltd. and Alex Green Energy Pvt. Ltd., which has solar plants situated at Rajasthan and Orissa of 5 MW each respectively.

Ownership & Management Profile:

AAPPL is a private limited company whereby it was promoted by group of people including stake by a corporate house, however, the corporate house does not have any interference in the management or business of AAPPL. It is also to be noted that AAPPL does not have any financial liability or any counter corporate guarantee towards any of its investors/promoters/third parties/group companies, as informed by the management.

The company has two directors namely, Mr. Pratyush Kumar Sureka and Mr. Prannay Sureka. Mr. Prannay Sureka is the Director of the company, a Chartered Accountant by qualification, having an experience of 10 years in power, infrastructure, and renewable energy and govt. services and was associated with reputed players.

Mr. Pratyush Kumar Sureka is another Director/ promoter, who is a post graduate in accounting and finance from Aston University, UK, and was associated with many local stakeholders in different countries, understanding the need for immediate cleaning and sustainable energy sources.

Financial Performance:

The company has achieved Rs. 64.09 Cr of net revenue in FY 14 with a book loss of Rs. (31.37) Cr, being in the nascent stage of the business with high depreciation cost; however it had achieved a cash profit of ~ Rs. 19 Cr.

The tangible net worth of the firm stood at Rs. 84.10 Cr as on 31st March 2014. The gearing ratio, defined as Total Debt: Tangible Networth is 3.17 times and considered as high owing to its huge depreciation of ~ Rs. 109 Cr from FY 12 to FY 14. It has shown a weak coverage in FY14; however, the company was able to service its debt obligation on/ahead of schedule along with improvement in FY15 (provisional) and projects to improve its coverage ratios further in FY16, on account of achieving book profit.

The company has informed of achieving net revenue of Rs. 61.42 Cr in FY15 with a book loss of Rs. (17.88) Cr (provisional) due to high depreciation cost; however it had achieved a cash profit of ~ Rs. 27.40 Cr (Provisional).

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, sustainability in the revenue from operations and achieving book profit in FY 16 onwards (as projected by the management), and improvement in the coverage ratios coupled with reduction in the gearing level, would be the key rating sensitivities.

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