



Rating Rationale

Cosmic Power Solutions Ltd.

15 March 2018

Brickwork Ratings assigns “BWR B (Outlook:Stable)” for the Bank Loan facilities of Rs.19.04 Crs of Cosmic Power Solutions Ltd. (‘CPSL’ or ‘the Company’)

Particulars

Facility Rated	Amount (Rs. Crs)#	Tenure	Rating^
Fund Based Term Loans	19.04*	Long Term	BWR B Pronounced as BWR Single B Outlook:Stable
Total	19.04 (INR Nineteen Crores and Four Lakhs Only)		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank wise facilities

*Outstanding as on February 27, 2018

Rationale/Description of Key Rating Drivers/Rating sensitivities

BWR has principally relied upon the audited financials upto FY17, provisional financial results upto 9MFY18, financial projections upto FY20, publicly available information and information/clarifications provided by the management.

The rating draws comfort from the long term power purchase agreements (PPA) and the operational status of the solar plant. The rating, however, is constrained by the limited track record of operations, weak credit risk profile marked by leveraged capital structure, impaired debt servicing capability, stretched liquidity position and exposure to climatic and technological risks.

Going forward, the ability of the company to ensure stabilisation and optimal operations of the power plant, strengthen its credit profile, especially liquidity and ensure steady payments from its customers would be the key rating sensitivities.



Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria given below (hyperlinks provided at the end of this rationale).

Key Rating drivers

- **Long term Power Purchase Agreements**

In April 2014, CPSL has entered into a Power Purchase Agreement (PPA) with Cyient Ltd. for a tenure of 10 years, to supply solar power at a unit rate of Rs.6.87 with annual escalation 4%. The Company has also entered into a 10 year PPA with I-labs Hyderabad Technology Centre Pvt. Ltd. wherein the unit rate for power supply would be the same as power unit rate of Southern Power Distribution Company of Telangana Limited (TSSPDCL), presently Rs.5.85/Unit.

- **Limited track record of operations**

CPSL started commercial operation in June 2015. The Company is yet to stabilise its operations and receive steady payments from its customers. Scale of operations is low with net sales at Rs.3.90 Crs in FY17 as against Rs.2.84 Crs in FY16.

- **Weak credit risk profile marked by leveraged capital structure, strained debt servicing capability and stretched liquidity position**

Overall gearing of CPSL remained high at 2.31 times as on December 31, 2017 (prov.) *vis-à-vis* 2.30 times as on March 31, 2017, mainly due to the long term borrowings for solar plant implementation. Due to low power consumption from the customers, the gross accruals of the Company have remained low at Rs.0.85 Crs in FY17 and Rs.0.95 Crs in 9MFY18. Due to this, the ISCR was moderate at 1.49 times for 9MFY18 as against 1.28 times for FY17. CPSL's DSCR was low at 0.82 times for FY17 and 0.67 times for 9MFY18 (prov), as the Company has an annual principal debt obligation of Rs.2.20 Crs. Liquidity was highly stretched as its Current Ratio as on December 31 2017 remained low at 0.34 times as against 0.15 times as on March 31, 2017.

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- **Exposure to climatic and technological risk**

Achievement of desired Power Load factor is subject to the climatic conditions and other technological risks.

Rating Outlook: Stable

BWR believes CPSL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

Cosmic Power Solutions Ltd. (CPSL) is a Hyderabad based public limited company incorporated in October 2013. It is promoted by Mrs. B. Amala Reddy and Ms. B. L. Anuhya Reddy for generation and distribution of solar power. CPSL has a 4.6MW power plant spread over 50 acres of land at Baswaipally village in Mehboobnagar district of Telangana. It started commercial operations in June 2015 and the plant has a PLF of around 18%. The Company has entered into a PPA with Cyient Ltd. and I-labs Hyderabad Technology Pvt. Ltd. under Telangana Solar Policy 2015 for a tenure of 10 years and has availed 3 term loans aggregating Rs.23.00 Crs for project implementation, which are repayable till June 2026.

Financial Performance

In FY17, CPSL reported net sales of Rs.3.90 Crs and net loss of Rs.0.40 Crs as against net sales of Rs.2.84 Crs and net loss of Rs.0.38 Crs in FY16. During 9MFY18 period, on provisional basis, the Company has recorded sales of Rs.3.09 Crs.



Rating History for the last three years:

Instrument/ Facility	Current Rating (March 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2017	2016	2015
Fund Based Term Loans	Long Term	19.04*	BWR B (Outlook:Stable) Assigned	Not Rated	Not Rated	Not Rated
Total		19.04 (INR Nineteen Crores and Four Lakhs Only)				

*outstanding on February 27, 2018

Status of non-cooperation with previous CRA: Not Applicable

Any other Information: Not Applicable

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Infrastructure Sector](#)

[Approach to Financial Ratio](#)

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Annexure I – Details of Rated Facilities

Name of Bank	Bank Facilities	Type of Facility	Tenure	Amount (Rs. Crs)
Tamilnad Mercantile Bank Ltd, Secunderabad Branch, Telangana	Term Loan -I	Fund Based	Long Term	5.60*
	Term Loan -II			12.12*
	Term Loan -III			1.32*
Total				19.04

*outstanding as on February 27, 2018

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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