

Rating Rationale

Brickwork Ratings assigns the ratings to ‘BWR BB’ for Bank Loan Facilities aggregating ₹ 6.14 Cr of SDS Solar Private Limited

Brickwork Ratings have assigned the **Rating¹** for Bank Loan facilities aggregating Rs. 6.14 Cr of SDS Solar Private Limited (SSPL):

Facility	Amount (₹ Cr)	Tenure	Rating
Fund Based: Term Loan	6.14	Long Term	BWR BB (Pronounced as BWR Double B) Outlook:Stable
Total	6.14	INR Six Crores and Fourteen Lakhs Only	

BWR has essentially relied upon the audited financials for FY12, FY13, FY14, and projected financials for FY15 & FY16 of SDS Solar Private Limited, publicly available information and information/clarification provided by the Firm’s management.

The rating continues to factor in the improved debt protection metrics, long term off-take arrangement in the form of Power Purchase Agreement (PPA) with DHBVNL, government led reforms and incentives resulting in favorable terms for producers. However, rating is constrained by small size of business, limited experience of the management in solar energy industry, client concentration risk with Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) as sole off-taker and exposure to climatic conditions risks pertaining to the adequate availability of sunlight and any redundancy with operational efficiency of PV modules.

Background:

SDS Solar Private Limited (SSPL) was incorporated in May 2010 as a private limited company for operating a 1 Megawatt (MW) grid connected solar photovoltaic (PV) power plant at Balsamand village, District Hissar (Haryana). SSPL is engaged in generation and supply of solar power under Power Purchase Agreement (PPA) signed with Haryana Power Purchase Centre on behalf of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), Haryana, for minimum period of 25 years.

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

DHBVNL shall pay a fixed nominal tariff of Rs 17.91/Kilowatt hour (kwh) for the same which includes base rate of Rs 5.50 Kwh and generation based incentive of Rs 12.41 Kwh. The solar power plant is based on thin film PV modules achieved Commercial Operation Date (COD) on October 20, 2011. The plant was implemented at cost of Rs 14.90 cr, which was funded in debt to equity ratio of 2.39:1.

Besides SSPL, other group associates are engaged in varying business operations including generation of solar energy, consultancy and pre-project implementation advisory services in relation to railway projects, manufacturing of protective films for mobiles, laptop etc.

The key personnel in management are Mr. Krishan Mohan Sharan (Promoter- Director), his son, Mr. Anil Mohan Sharan, Director, and his grandson Mr. Sumit Sharan, Director, who looks after day-to-day operations. They have a limited experience of just over 4 years in the solar power generation industry.

Financial Performance:

During FY14, Total Operating Income stood at ₹ 2.56 Cr. Debt–Equity gearing was 0.74 times in FY14 as against 0.80 times in FY 13. The operating profit margins stood at 81.40% in FY14. Current Ratio stood at 2.10 times in FY14, indicating better liquidity position. However in FY15, on provisional basis, the company has achieved operating income of ₹ 2.57 Cr (constant over the year) with OPBDIT of around ₹ 2.06 Cr.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the company’s ability to achieve the envisaged operational parameters, timely realization of its dues from the off-taker and increase its scale of operations will remain the key rating sensitivities.

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