

MITCON Solar Alliance Limited

December 05, 2018

Rating

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------|-------------------------------------------------|--------------------------------------------------------------|---------------|
| Long-term Bank Facilities | 15.00 | CARE BB; Stable (Double B; Outlook: Stable) | Assigned |
| Total Facilities | 15.00 (Rs. Fifteen crore only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of MITCON Solar Alliance Limited (MSAL) derive strength from experienced and resourceful promoters, strategic location of the plant and medium-term off take arrangement through Power Purchase Agreement (PPA) for the entire capacity.

The rating however is constrained by, uncertainty over wheeling and transmission charges set by Maharashtra Electricity Regulatory Commission and exposure to climatic conditions and technological risks and project risk in terms of successful commissioning of the project with envisaged time and cost and financial closure risk.

Timely implementation of the project and achieving financial closure as per envisaged terms, and generation of desired energy levels post implementation with the timely receipt if the payment from off taker are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Uncertainty over MERC Order

As per the MERC orders the charges levied towards wheeling and banking charges for all renewable power projects are bound to vary. Wheeling and Transmission loss charges would inadvertently affect the net generation of profit. Quantum of the same needs to be analyzed depending on the changes after the operation commencement of the facility.

Exposure to technology and climatic risks

The company has used poly crystalline PV technology, which has a proven history worldwide, suffers relatively lower degradation and requires lesser land leading to reduction in the Balance of Systems (BoS) cost. However, achievement of desired CUF going forward would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks.

Project Risk

The project is supposed to be commissioned by December 2018. It is susceptible to risks related to achieving financial closure and other financial obligations as and when required, project evacuation system developments need to be completed prior to the commissioning along with all the project approvals pending if any need to be in place.

Key Rating Strengths

Experienced and Resourceful Promoters:

MSAL is a special purpose vehicle formed by MITCON Sun Power limited (MSPL) and M/S Pudumjee Paper Products Limited, the parent company of MSPL being MITCON Consultancy and Engineering services Ltd (MCESL). Mr. Deepak Zade is director at MSAL who has a strong technical back ground (Masters of technology and Energy Management) and experience of over 20 years in Solar, Hydro and Wind power projects. MCESL has successfully completed implementation of 18 projects of Solar Power Plants up till now.

Medium-term PPA:

M/s. MITCON Solar Alliance Limited (MSAL) (Generator) has been entered into a power purchase agreement with M/s Pudumjee Paper Products Limited (Member Consumer) at the rate of Rs. 5.50/- per unit fixed for the entire term of the agreement of 13.5 years from the COD for supply of energy generated from 4.90 MW/5.46 MWp Solar Power Project at Sonalwadi.

Analytical approach: Standalone

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Applicable Criteria[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Rating Methodology – Infrastructure Sector Ratings](#)[Financial ratios – Non-Financial Sector](#)[Private Power Producers](#)**About the Company**

MITCON Solar Alliance Limited (MSAL) is a solar photovoltaic power project of 4.90MW/5.46MWp set up at Sonalwadi village in Solapur, Maharashtra. It is a special purpose vehicle formed by MITCON Sun Power and M/S Pudumjee Paper Products Limited, the parent company of MITCON Sun Power being MITCON Consultancy and Engineering services Ltd (MCESL). The estimated project cost has been identified to be around Rs.26.70 crore. The funding of the project is in the form of Rs.11.70 crore through unsecured loan from MCESL treated as quasi equity and Rs.15.00 crore term debt from bank. The civil and erection work is completed as on Nov 30, 2018 as stated by company.

Brief Financials : -MSAL being project stage company the table for brief financials for the past years is not applicable

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity* Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------|------------------|-------------|-------------------|----------------------------------|-------------------------------------------|
| Fund-based - LT-Term Loan | - | - | - | 15.00 | CARE BB; Stable |

*The limits rated are proposed limits

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|----------------------------------------|-----------------|-----------------------------------|-----------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 |
| 1. | Fund-based - LT-Term Loan | LT | 15.00 | CARE BB; Stable | - | - | - | - |

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