

June 28, 2024

## Solaire Surya Urja Private Limited: [ICRA]AA+ (Stable); assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	532.94	[ICRA]AA+ (Stable); assigned
<b>Total</b>	<b>532.94</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating factors in the healthy operating track record of Solaire Surya Urja Private Limited's (SSUPL) 140-MW (190 MW DC) solar photovoltaic (PV) project since its commissioning in July 2017 (90 MW AC), September 2017 (50 MW AC). The rating further takes into account the presence of a long-term power purchase agreement (PPA) with NTPC Limited for the entire capacity of 140 MW at a fixed tariff of Rs. 4.35 per unit. On behalf of NTPC Limited, NTPC Vidyut Vyapar Nigam Limited (NVVN) works as the nodal agency, and in turn has signed power supply agreements (PSA) with state owned distribution utilities (discoms). ICRA's rating continues to favourably factor in the strong credit profile of the counterparty, NTPC – [ICRA]AAA (Stable) / [ICRA]A1+; timely payments from NTPC, supported by payment security mechanism under the PPA and PSA.

ICRA takes note of the benefits available to SSUPL from being part of a cash pooling mechanism and the cross-default linkages with three other special purpose vehicles (SPV) – Suprasanna Solaire Energy Private Limited (SSEPL), Nirjara Solaire Urja Private Limited (NSUPL), Ujjvalatejas Solaire Urja Private Limited (USUPL) - of the Edelweiss Infrastructure Yield plus (EIYP) portfolio., wherein surplus cash in either of the SPVs can be used to meet the shortfall in debt servicing of the other SPV. All the four SPVs operate ground-mounted solar power projects, aggregating to 250 MWp spread across two states in India.

The rating also takes into account the experience as well as the management quality of the promoter group (EIYP), which has large investments in sectors such as power transmission, renewables, roads and highways etc. Moreover, ICRA takes note of the company's healthy debt coverage metrics, with cumulative DSCR on the project debt estimated to remain above 1.4 times, supported by a strong operating performance. The long maturity of the project debt and the presence of a debt service reserve account (DSRA) equivalent to one quarter debt obligations also provide comfort from credit perspective.

ICRA notes that the promoter contribution for the project is largely in the form of debt instruments, which remain subordinated to the project debt, and the payment of interest on these instruments is subject to meeting the restricted payment conditions stipulated under the loan agreement. The rating also draws comfort from the presence of an experienced sponsor, EIYP, which is operating ~813.2 MWp of renewable energy capacities in India, and its association with the Engie Group, as the operations and maintenance (O&M) of the plant is managed by Engie Group entity, Solairedirect India LLP.

The rating, however, is constrained by the vulnerability of cash flow to weather conditions and module performance, as the revenues are linked to the actual units generated and exported, considering the single part and fixed tariff under the PPA. However, the inconsistency in cash flows due to a variation in the solar irradiation level remains relatively low for solar PV-based projects compared to other renewable source-based projects. The rating also factors in the geographic-concentration risk as SSUPL's solar asset is at a single location. Nonetheless, the company benefits from the availability of relatively high solar radiation at its site in Rajasthan.

Further, the debt coverage metrics of SSUPL remain exposed to the interest rate movement, given the fixed tariff under the PPA. Moreover, ICRA also notes that the company's operations remain exposed to the regulatory challenge of implementing the scheduling and forecasting framework, given the limited experience of the industry players in India in scheduling and

forecasting, and the variable nature of solar energy generation. However, the risk of variation is relatively low for solar power projects compared to wind power projects.

The Stable outlook on the long-term rating for SSUPL reflects ICRA's expectation that the company's operating performance would remain healthy, and it would continue to benefit from the long-term PPA with NTPC and timely receipt of payments.

## Key rating drivers and their description

### Credit strengths

**Healthy generation performance and strong debt coverage metrics** - The 140-MW (190 MW DC) capacity was commissioned in July 2017 (90 MW AC), September 2017 (50 MW AC) and has a generation track record of more than seven years. During this time, the plant has consistently operated at a PLF above the P-90 estimate. This, along with the long tenure of the project and the competitive cost of debt, is expected to result in strong debt coverage metrics for SSUPL, with the cumulative DSCR on the project debt estimated to remain above 1.4 times over the repayment tenure.

**Long-term PPA with NTPC Limited for entire project capacity** - SSUPL has low offtake risks owing to the presence of a long-term (25-year) PPA at a tariff of Rs. 4.35 per unit for the entire duration of the project. The long-term PPA provides revenue visibility for the company.

**Presence of strong intermediary counterparty, NTPC; timely payments as per PPA** - The company has signed long-term power purchase agreement (PPA) with NTPC Limited for the entire capacity of 140 MW at a fixed tariff of Rs. 4.35 per unit. ICRA's rating continues to favourably factor in the strong credit profile of the counterparty, NTPC –[ICRA]AAA (Stable) / [ICRA]A1+; timely payments from NTPC, supported by payment security mechanism under the PPA and PSA.

**Presence of an experienced sponsor; operational expertise from association with France-based Engie Group** – SSUPL's ultimate sponsor, EIYP, has investments in power transmission, roads and renewable assets with an experienced management and operating team. Further, ICRA takes note of the company's operating expertise from its association with France-based utility major, Engie. The O&M of the plant is managed by Engie Group entity, Solairedirect India LLP.

### Credit challenges

**Sensitivity of debt metrics to energy generation** – As the tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to the variation in weather conditions and/or equipment quality. This, in turn, would affect its cash flows and debt servicing ability. The geographical concentration of the asset amplifies the generation risk. Nonetheless, comfort is derived from the sourcing of PV modules from tier-I suppliers, presence of an experienced O&M contractor and a satisfactory performance so far.

**Exposure to interest rate movement** – The company's capital structure remains highly leveraged with a major portion of the cost funded through debt. As a result, the company's debt coverage metrics remain exposed to any movement in interest rate, given the floating interest rates.

**Regulatory risks of implementing scheduling and forecasting framework for solar sector** -The company's operations are exposed to regulatory risks pertaining to the scheduling and forecasting requirements of solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects.

### Liquidity position: Strong

SSUPL's liquidity position is expected to remain strong with a healthy buffer between cash flows from operations and debt repayment obligation. Further, the company has total cash and bank balances of Rs. 76.84 crore, including DSRA of Rs. 23.68, crore as of May 31, 2024.

## Rating sensitivities

**Positive factors** – The rating can be upgraded if the generation performance remains above the P-90 estimate, thereby maintaining its strong debt coverage metrics. Reduction in financial leverage could also be a positive trigger. Further, the rating would remain sensitive to the credit profile of the other SPVs in the pool.

**Negative factors** – The rating could be downgraded in case of a significant underperformance in generation, adversely impacting SSUPL’s debt coverage metrics. A specific credit metric for downgrade includes the cumulative DSCR on the project debt falling below 1.35 times. Also, any significant delays in receiving payments from the offtaker affecting SSUPL’s liquidity profile may trigger a downgrade. Further, the rating would remain sensitive to the credit profile of the other SPVs in the pool.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Power - Solar</a>
Parent/Group support	The rating assigned factors in the presence of cash surplus sharing and cross-default linkages among the four SPVs of the group viz., SSUPL, SSEPL, USUPL & NSUPL.  The rating for SSUPL has been arrived at by following the analytical steps: 1. An assessment of the standalone credit profile of SSUPL 2. An assessment of the pool’s credit profile by undertaking a consolidated assessment of the four SPVs in view of the linkages between them. 3. The final rating of SSUPL is arrived at by suitably notching up the standalone rating after duly considering the pool’s rating and the linkages between the standalone entity and the pool.
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

## About the company

SSUPL was incorporated to set up a 140-MW (AC)/ 190-MW (DC) grid connected solar PV project at Bhadla Solar Park in Rajasthan. The company has signed a PPA with NTPC Limited at Rs.4.35/unit for the entire capacity. The project was entirely commissioned in July 2017 (90 MW AC), September 2017 (50 MW AC). SSUPL was promoted by France-based utility major Engie through Solairedirect Energy India Private Limited (SEIPL). Engie completed the divestment of 74% of SSUPL’s shareholding to Sekura Energy Private Limited, a portfolio company of Edelweiss Infrastructure Yield Plus (EIYP) in March 2021. The 26% shareholding of the company remains with Engie Energy India Private Limited, EEIPL, (erstwhile Solairedirect Energy India Private Limited or SEIPL).

## Key financial indicators (audited)

SSUPL Standalone	FY2023	FY2024 <sup>^</sup>
Operating income	136.3	133.3
PAT	0.1	-1.7
OPBDIT/OI	86.1%	82.1%
PAT/OI	0.0%	-1.3%
Total outside liabilities/Tangible net worth (times)	12.6	12.5
Total debt/OPBDITA (times)	6.5	6.7
Interest coverage (times)	1.4	1.4

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation <sup>^</sup>provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on May 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
1	Term loans	532.94	532.94	Jun 28, 2024 [ICRA]AA+ (Stable)	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	April 2021	-	June -2037	532.94	[ICRA]AA+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis: Not Applicable**

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