June 30, 2023

Sorion Solar Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	15.67	15.67	[ICRA]A- (Stable); reaffirmed
Total	**15.67**	**15.67**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Sorion Solar Private Limited (SSPL) factors in the strengths arising from the company's parentage, being a part of the Cleantech Solar Group, which has reputed sponsors like Keppel Corporation and Shell Plc, an experienced management, established track record in developing solar power projects and a diversified solar project portfolio of 780 MW tied up with large commercial & industrial customers.

Further, the rating favourably factors in the long-term power purchase agreement (PPA) signed by SSPL with Galaxy Surfactants Limited (GSL), at a fixed tariff under the captive mode, thereby limiting the demand and pricing risks for its 5.6-MW solar power project. The tariff offered under the PPA is highly competitive in relation to the grid tariff for this customer and the PPA would enable the customer to meet its sustainability goals. Further, the rating draws comfort from the strong credit profile of GSL, which is expected to lead to timely realisation of payments for the company. Also, ICRA draws comfort from the satisfactory generation performance achieved by the company since the project commissioning in August 2021. Going forward, the debt metrics are expected to remain adequate, supported by the PPA at a fixed tariff rate and the long tenure of the project debt.

However, the rating is constrained by the vulnerability of the cash flows and debt coverage metrics of the solar power project to the generation performance, given the single part tariff under the PPA. Any adverse variation in weather conditions or equipment performance or inability to ensure adequate O&M practices for the solar assets would impact generation and consequently the cash flows. Given the limited track record of the project, achieving generation performance in line or above the appraised estimate on a sustained basis remains a key monitorable.

ICRA notes that the termination payments under the PPA do not cover for the entire debt outstanding. Nonetheless, comfort can be drawn from the competitive tariff offered by the company and the Group's track record in securing PPAs with large industrial and commercial customers. ICRA also takes note of the sensitivity of the debt coverage metrics to the movement in interest rates considering the leveraged capital structure and fixed tariffs under the PPA. Further, the company remains exposed to regulatory risks associated with forecasting & scheduling regulations, regulations for captive projects and open access charges. While the open access charges are to be paid by the customer under the PPA, any significant increase in these charges would impact the competitiveness of the tariff.

The Stable outlook assigned to the long-term rating of SSPL factors in the steady cash flow visibility, aided by the long-term PPA and the timely cash collections expected from the customer.

Key rating drivers and their description

Credit strengths

Strength by virtue of being part of Cleantech Solar Group – SSPL is part of the Cleantech Solar Group, which in turn is promoted by the Keppel consortium and Shell Plc. The platform benefits from a diversified portfolio of 780 MW across seven countries in South Asia and the presence of strong shareholders, who are focused on growing their renewable energy portfolio. SSPL is expected to benefit from the strengths of the Group, given the cross-default linkages with the parent, Cleantech India OA Pte. Ltd. (CIOA), and other group SPVs.

Low offtake risk with presence of long-term PPA with a industrial customer at highly competitive tariff – The solar project under SSPL has tied-up a long-term PPA with GSL under the captive mode at a fixed tariff, thereby limiting the demand and pricing risks. The PPA includes a provision for termination payments which cover for a certain portion of the debt. Further, comfort is drawn from the competitive tariffs offered by the project to the customer against the grid tariff rates. Moreover, the PPA would enable the customer to meet its renewable purchase obligations.

Strong credit profile of the customer – The presence of a strong counterparty like, GSL, is expected to result in timely payments, as demonstrated so far.

Adequate debt coverage metrics and comfortable liquidity profile – The debt coverage metrics for SSPL are expected to be adequate, supported by the PPA at a fixed rate and the long tenure of the debt. Also, the liquidity profile of the company is supported by a DSRA equivalent to two quarters, created upfront from the project cost.

Credit challenges

Vulnerability of cash flows to solar radiation – Given the single part tariff under the PPA, the revenues and cash flows of the solar power project under SSPL remain vulnerable to the actual generation, which in turn is exposed to the variability in solar radiation. This risk is amplified by the geographic concentration of the asset. While comfort is drawn from the performance so far, demonstration of generation in line with the appraised estimate on a sustained basis remains a key monitorable.

Exposed to interest rate risk – The interest rate on the term loan availed by the company for its projects is floating and subject to regular resets. Given the fixed tariffs under the PPA and the leveraged capital structure, the debt coverage metrics for the company remain exposed to the movements in interest rates as seen in the recent past.

Regulatory risks – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects. Also, the project is exposed to any revision in regulations for captive projects as well as revision in open access charges, which could impact the competitiveness of the tariff offered.

Liquidity position: Adequate

The liquidity position of SSPL is expected to be adequate, with sufficient buffer between cash flows from operations and debt repayment obligation. Moreover, the presence of a two-quarter DSRA and timely payments from the customer is expected to support the liquidity profile. The company had cash and liquid investments of Rs. 2.69 crore as on March 31, 2023, including DSRA of 1.42 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company is able to demonstrate a generation performance in line or higher than the appraised estimate along with timely payments from the customer, leading to healthy credit metrics. Also, the rating would remain sensitive to the credit profile of its parent, CIOA.

Negative factors – Pressure on the rating could arise if the generation performance of SSPL remains below the appraised estimate on a sustained basis, adversely impacting the debt coverage metrics. Also, delay in payments from the counterparty adversely impacting the liquidity profile of the company is a negative trigger. Further, the rating would remain sensitive to the credit profile of its parent, CIOA. A specific credit metric for downgrade is the cumulative DSCR on the project debt falling below 1.15x.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Rating Methodology for Solar Power Producers](#)
Parent/Group support	The rating assigned to SSPL factors in the implicit support from holding company, CIOA, with support expected to be forthcoming in case of any cash flow mismatch, given the cross default linkages with CIOA and other SPVs of the Group
Consolidation/Standalone	Standalone

About the company

SSPL is a subsidiary of CIOA, Singapore, wherein CIOA holds a 71.51% stake and the remaining 28.49% is held by the sole customer, Galaxy Surfactants Limited. CIOA is a 100% subsidiary of Cleantech Solar Asia Pte. Ltd. (CSA), which in turn is 75.5% owned by the Keppel consortium and 24.5% by Shell. CSA has a solar power portfolio of 780 MW across India, Thailand, Malaysia, Cambodia, Indonesia, Vietnam and Singapore.
SSPL owns and operates a 5.6-MW (DC Capacity) solar power project in the Beed district of Maharashtra, commissioned on August 1, 2021. The company has signed a 25-year long-term PPA with Galaxy Surfactants Limited. As required under the group captive regulations, the customer has subscribed to the shareholding of the company.

Key financial indicators (audited)

SSPL Standalone	CY2021	CY2022^
Operating income	1.1	3.1
PAT	(0.3)	0.4
OPBDIT/OI	54.3%	79.7%
PAT/OI	-25.3%	12.3%
Total outside liabilities/Tangible net worth (times)	3.0	2.7
Total debt/OPBDIT (times)	23.3	6.0
Interest coverage (times)	1.1	1.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore, ^ Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Jun 30, 2023	Sept 23, 2022	Jun 06, 2022	-	-
1 **Term loan**	Long term	15.67	14.68	[ICRA]A- (Stable)	[ICRA]A-(CE) (Stable) withdrawn; [ICRA]A- (Stable) assigned simultaneously	[ICRA]A- (CE) (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**	Nov 2021	-	CY2037	15.67	[ICRA]A-(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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