January 03, 2024 (Revised)

Radiance MH Solar Power Private Limited: [ICRA]A (Stable) reaffirmed; assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	15.00	16.50	[ICRA]A (Stable) reaffirmed/ assigned for enhanced amount
Total	**15.00**	**16.50**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating takes into account the co-obligor facility agreement among Radiance KA Sunrise One Private Limited (KA One), Radiance KA Sunrise Two Private Limited (KA Two) and Radiance MH Solar Power Private Limited (MH Solar) with a defined mechanism for sharing the surplus balance for meeting any shortfall in debt servicing obligations. Accordingly, ICRA has changed the rating approach and the rating for MH Solar has been arrived at by following the analytical steps give below:

1. An assessment of the credit profile of MH Solar.
2. An assessment of the co-obligor group's (KA One, KA Two, MH Solar) credit profile notched up basis implicit support from parent, Radiance Renewables Private Limited.
3. The final rating for MH Solar is arrived at by suitably notching up the standalone rating on the basis of the implicit support from the co-obligor group's credit profile.

The assigned rating favourably factors in the strong parentage of Radiance Renewables Private Limited {RRPL, rated [ICRA]A (Positive)}, which is backed by the Green Growth Equity Fund (GGEF), translating into financial flexibility and managerial support for the SPVs in the pool. The rating is further backed by the operational status of the entire solar capacity in the co-obligor pool with some diversification benefits as the solar assets are located in Karnataka and Maharashtra. The limited offtake risk due to the long-term PPAs signed for all three SPVs in the pool with attractive tariffs, as well as the low regulatory risk because of the captive arrangement in each SPV are the other comforting factors. Given the group captive status of the project, the offtaker is exempt from the payment of cross-subsidy surcharge (CSS) and additional surcharge (AS), which makes the landed tariff for the project for the offtaker highly competitive vis-à-vis the grid tariff.

The rating is, however, constrained by the limited track record of performance of the SPV and the pool, with a blended track record of two years for the pool and twenty-six months for MH Solar. The performance of the projects will remain susceptible to the irradiance levels, given that it directly impacts the power generation and the cash flows of the SPV and the pool. While the weather remains an uncontrollable factor, adverse climate changes leading to dense cloud cover over an elongated period and pollution from sources impacting irradiance remain the key environmental risks for the project. The cash flows of the SPV and of the pool are susceptible to the hardening of interest rates.

ICRA notes that the operations & maintenance expenses remained above the contracted rates in FY2023 for the company and the pool. While the contracts have been re-negotiated/ substituted, ICRA expects these expenses to be brought down and remain close to the contracted rates. At the appraised PLF estimates, the track record as well as the P-90 design generation, ICRA expects the cumulative DSCR of the co-obligor pool and the SPV to remain above 1.20x over the tenure of the debt.

The Stable outlook on the rating reflects ICRA's expectation of the company and the pool maintaining a stable operating performance and ensuring comfortable debt servicing, going forward.

Key rating drivers and their description

Credit strengths

Strong parentage of Radiance Renewables Private Limited lending financial flexibility and managerial support- MH Solar is a subsidiary of Green Growth Equity Fund (GGEF) backed Radiance Renewables Private Limited (RRPL) which is the holding company of the Radiance Group (installed capacity of 415 MW+). GGEF counts India's National Infrastructure Investment Fund (NIIF) and the Foreign Commonwealth Development Office (FCDO) of the UK Government among its anchor investors. GGEF is managed by EverSource Capital, which is a joint venture of EverStone Capital and Lighthouse BP. The management of the Radiance Group has experience in setting up renewable power projects in India.

Low offtake and price risk - All the three projects are backed by 25-year PPAs with credit-worthy offtakers. The PPAs have a lock-in period of 15 years with a fixed one-part tariff, mitigating the price risk for the projects. The offtake risk for the projects remains low as the entire capacity is covered under the minimum offtake guarantee (MOG), Moreover, the tariffs are highly competitive against the grid tariff chargeable to the counterparties.

Low counterparty risk - The counterparty risk remains low, given the healthy credit risk profile of the offtakers. The payments have been timely; the collection efficiency has been at ~99.90% for the pool and the SPV since the start of operations in October 2021. Thus, ICRA expects the reliance on working capital borrowings to remain negligible, going forward.

Credit challenges

Limited track record of project performance - The track record of the company is twenty-six months and the pool is ~2 years. While the performance of the plant and the pool has been stable in line with the P-90 levels since the commissioning of the project, the performance, going forward, will remain a key monitorable.

Cash flows exposed to risk of irradiance levels and interest rate environment - Power production and, thus, the cash flow generation of the solar power projects remain exposed to the irradiance levels. While the company does not have control over weather-related factors, the tariffs are one part in nature and the cash flows will face headwinds in a scenario of lower-than-expected irradiance. The cash flows would also remain susceptible to changes in interest rates for the loan contracted by the entity. While the solar tariff is fixed, the interest rates on the contracted loans are variable and reset after every five years, thus exposing the cash generation to interest rate volatility. The ability of the company to service its debt will also moderate unless its performance exceeds the base case production levels.

Unfavourable changes in regulations may pose risks to cash flows - The solar power project has been set up under the group captive model wherein the power produced by the company and the pool is exempt from the levy of cross-subsidy surcharge/additional surcharge. These exemptions make the current landed tariff for the offtaker competitive against the grid tariff. However, the tariff remains exposed to regulatory changes, which may result in such charges being levied in the future. While the provisions of the PPA ensure pass-through of the levy of such charges to the offtaker, the competitiveness of the project's tariff vis-à-vis the grid tariff will moderate. Hence, the tariff may have to be renegotiated after the expiry of the lock-in period.

Liquidity position: Adequate

The liquidity position of MH Solar remains adequate with 6 months DSRA of Rs. 1.25 crore maintained in the form of fixed deposits as on September 30, 2023. The cash generation is expected to remain adequate to meet the company's debt servicing requirements with the generation likely to remain near the P-90 levels. ICRA expects RRPL to support the entity in case of any shortfall in debt servicing by providing funds which are unsecured and subordinated loans.

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 customers, leading to healthy credit metrics. An improvement in the credit profile of the parent, Radiance Renewables Private Limited, will also support an upgrade.

Negative factors – Pressure on the rating could arise if the actual PLF remains lower than the P-90 PLF on a sustained basis, and/or the company is unable maintain a cumulative DSCR of 1.20x on a sustained basis. Further, any significant delays in receiving payments from the offtakers adversely impacting the company's liquidity profile would be a negative factor. The rating could also be revised downwards if the linkages with the parent weaken, and/or the credit profile of its parent i.e., Radiance Renewables Private Limited, deteriorates.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Power Producers
Parent/Group support	The rating factors in implicit support from the parent Radiance Renewables Private Limited given the business linkages, strategic importance and the willingness shown by the parent to support the entity.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the entity.

About the company

Radiance MH Solar Power Private Limited (MH Solar) is a subsidiary of Radiance Renewables Private Limited {RRPL, rated [ICRA]A (Positive)/[ICRA]A2+}, which is the holding company of the Radiance Group and is backed by Green Growth Equity Fund (GGEF). GGEF has NIIF and DFID, UK Government, as its anchor investors. GGEF is managed by EverSource Capital which is 50:50 joint venture of EverStone Capital and Lighthouse BP.

MH Solar has set up a 4.2MWp (DC)/3.0 MW AC ground-mounted solar power project in Maharashtra under the group captive mode. The project was commissioned in October 2021. A long-term PPA has been signed with Sahyadri Hospitals Private Limited (SHPL) with a tenure of 25 years and a lock-in of 25 years. RRPL holds a 74% stake, while SHPL held the remaining 26% in MH Solar as on September 30, 2023.

About the other SPVs in co-obligor pool

KA One, a subsidiary of RRPL, has set up a 4MW (AC)/5.8MWp (DC) ground-mounted solar power project in Karnataka under the group captive mode which was commissioned in October 2021 and commercialised in January 2022. The long term PPAs have been signed with MSPL Limited with a lock-in period of 15 years and tenure of 25 years. RRPL holds 74% equity in KA One while the remining is held by MSPL Limited.

KA Two, a subsidiary of RRPL, has setup a 7MWp (AC)/10 MW DC ground mounted solar power project in Karnataka under the group captive mode. The project was commissioned in October 2021 and commercialised in January 2022. A long-term PPA has been signed with Apollo Tricoat Tubes Limited with a lock-in period of 15 years and a PPA tenure of 25 years. RRPL holds 74% equity, while the remaining 26% is held by ATTL in KA Two as on September 30, 2023.

Key financial indicators (audited)

MH Solar (Standalone)	FY2022	FY2023
Operating income	1.47	2.91
PAT	-0.04	-0.22
OPBDIT/OI	73%	74%
PAT/OI	-2%	-8%
Total outside liabilities/Tangible net worth (times)	2.85	3.30
Total debt/OPBDIT (times)	13.7	7.57
Interest coverage (times)	1.37	1.37

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

Key financial indicators (audited) of other SPVs in co-obligor pool

KA One (Standalone)	FY2022	FY2023
Operating income	0.89	2.96
PAT	-0.52	-0.34
OPBDIT/OI	60%	76%
PAT/OI	-59%	-11%
Total outside liabilities/Tangible net worth (times)	3.35	3.55
Total debt/OPBDIT (times)	35.4	8.37
Interest coverage (times)	0.70	1.26

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

KA Two (Standalone)	FY2022	FY2023
Operating income	0.91	5.35
PAT	-1.39	-0.56
OPBDIT/OI	51%	79%
PAT/OI	-153%	-11%
Total outside liabilities/Tangible net worth (times)	3.45	3.60
Total debt/OPBDIT (times)	71.82	7.80
Interest coverage (times)	0.32	1.26

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

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 on September 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jan 03, 2024	Nov 16, 2022	-	-
1	Term loans	Long term	16.50	16.01	[ICRA]A (Stable)	[ICRA]A (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	June 2023	NA	FY2041	16.50	[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-NA

Corrigendum

Document dated January 03, 2024 has been corrected with revision as detailed below:

- On page number 4, Total Debt/OPBIDT(times) of KA One and MH Solar for FY2022 and PAT/OI for FY2023 in Key financial indicator (KFI) table has been corrected.
- On page number 5, Complexity Indicator has been corrected

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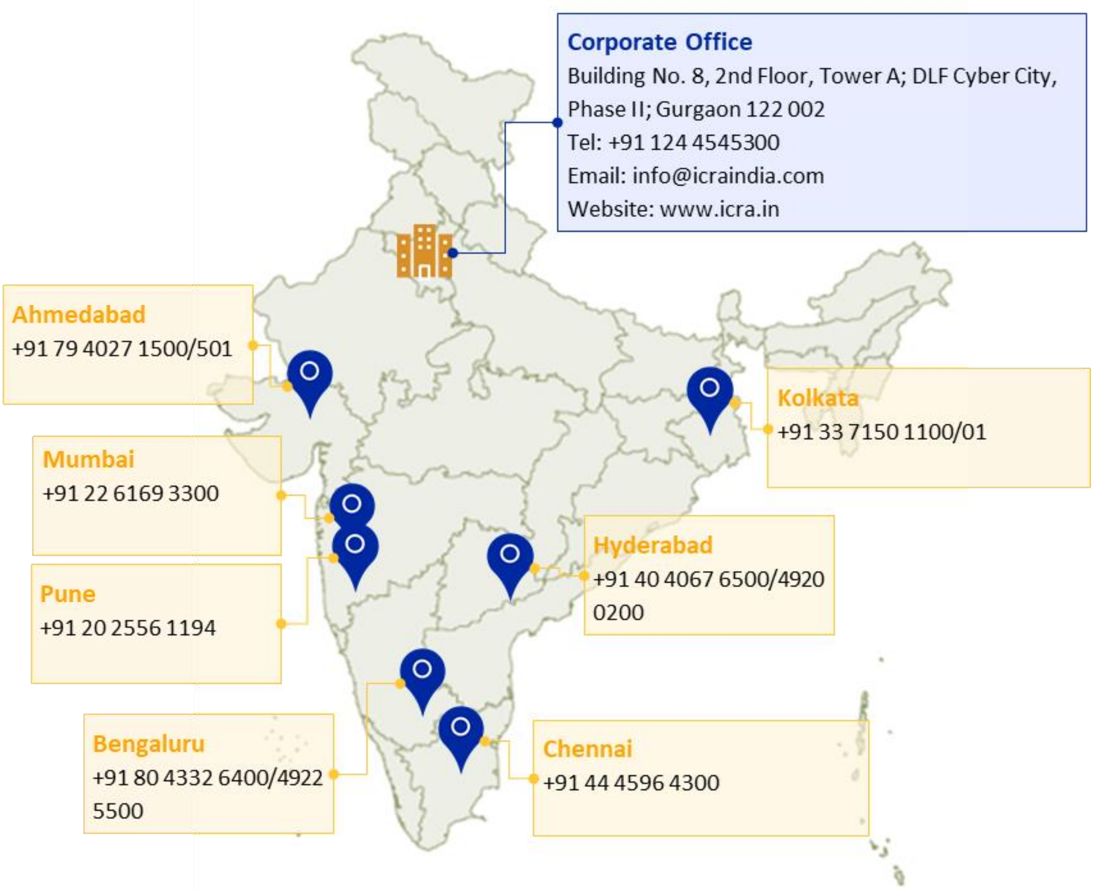

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