

May 24, 2024

Radiance Renewables Private Limited: Ratings reaffirmed; outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Others – Fund-based	400.00	400.00	[ICRA]A (Stable); reaffirmed and outlook revised to Stable from Positive
Short term - Letter of credit – Non-fund based	520.00	520.00	[ICRA]A2+; reaffirmed
Total	920.00	920.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in the outlook to Stable from Positive for the long-term rating of Radiance Renewables Private Limited (RRPL) takes into account the delays in capacity development against expectations as well as the moderation in the credit metrics of the company because of the mezzanine loans availed to fund the equity portion of the under-development projects. The delays in capacity addition by the company, primarily on account of land acquisition challenges in the sector, have scaled down the capacity addition targets for the near to medium term, thereby leading to deferment in the anticipated benefits of increased scale/ revenues from the generation assets.

ICRA notes that the company has availed mezzanine debt which is essentially a substitute to equity for development of under construction capacity. The debt service coverage metrics are expected to moderate going forward but remain satisfactory as this debt is likely to be serviced through Radiance standalone cash flows/subsequent top-ups from project refinancing. ICRA notes that the company is at an advanced stage of raising equity capital from new investors, worth ~USD 150 million, which will help develop a capacity of 2 GWp by FY2027.

The ratings continue to factor in the satisfactory operational performance of the operational capacity of RRPL on a consolidated basis and the geographical diversification brought in by the multiple counterparties and multi-location plants. The blended PLF for FY2024 has also been in line with the P-90 estimates. Further, the collections have largely remained in line with the PPA timelines. At present, the company has under-construction capacity of ~350 MWp and a park capacity of ~1 GWp at various stages, providing visibility on the capacity addition for the near term. The ratings continue to consider the superior financial flexibility and managerial strengths offered by strong institutional promoters, the limited demand risks due to the long-term power purchase agreements for majority of the capacity, strong track record in raising project financing and refinancing of existing project loans at competitive interest rates, the satisfactory counterparty credit profiles and payment track records and the adequate liquidity at a standalone level resulting from increased growth equity in FY2023 and FY2024.

The ratings are, however, constrained by the nature of operations and the variability in PLF for the projects due to various factors, including variability in solar irradiance for the solar power projects, as the revenue is linked to the actual generation, given the single and fixed part nature of the PPA tariff for majority of the portfolio. The risk is mitigated to some extent by multiple projects across locations and the operational performance of the existing plants, though limited in scale. The ratings are also constrained by the execution risk for these under-construction projects and the projects to be set up in the future as the Radiance Group has capital expenditure/growth plans to increase the portfolio to ~2 GWp by the end of FY2027.

The new projects of the Radiance Group are also exposed to regulatory risks, including changes in open access/banking norms and related regulations of the State Electricity Regulatory Commissions (SERCs). Although such charges are passed on to the C&I customers in most cases, any increase in such charges or tightening of norms may impact the landed cost for C&I customers and increase the risk of tariff renegotiation after the expiry of the lock-in period. While the PPA tariff remains higher than the

bid-driven utility scale solar and wind tariffs, it is at a discount for the respective third-party/group captive customers vis-a-vis the grid tariff, providing economic benefit to them. The ratings are constrained by interest rate risk and the risks associated with the implementation of scheduling and forecasting norms.

The Stable outlook on the [ICRA]A rating reflects ICRA's expectation of satisfactory operational performance of the commissioned as well as under-construction projects post commissioning, timely payments from the customers and commissioning of the under-construction projects without major time and/or cost overruns.

Key rating drivers and their description

Credit strengths

Strong parentage supporting financial flexibility and managerial strength - Radiance Renewables Private Limited is backed by Green Growth Equity Fund (GGEF), which is a SEBI-registered Category II AIF with anchor investments from National Investment and Infrastructure Fund (NIIF), the Government of UK (through the Foreign, Commonwealth and Development Office) and other marquee investors and managed by Eversource Capital (which is a joint venture between EverStone Capital and Lightsource BP).

Increased installed capacity offering benefits of asset and customer diversification – Radiance has an installed capacity base of over ~500 MWp as on date and is expected to achieve a cumulative installed capacity of over ~850 MWp by FY2025 with the commissioning of the under-construction projects. Thereafter, the company expects to add ~500-MW capacity on an annual basis, subject to raising fresh equity capital in a timely manner. The increase in the installed capacity base would further diversify its operations across consumers and geographies, thus minimising the impact of project-specific variability in generation or payment delays on the overall group performance. The company is also diversifying into the CTU market and the hybrid market by pursuing park capacities for these markets.

Limited demand risk due to long-term PPAs, healthy credit profile of counterparties - The Radiance Group has set up solar projects through various SPVs, largely under the captive/group captive route as well as rooftop solar power projects. The tenor of the PPAs ranges from 10-25 years, while the life of the projects is 25 years. Hence, there is limited demand risk associated with the projects due to the long-term PPAs. RRPL engages with customers having healthy credit quality and has not witnessed major challenges in receiving collections from the projects.

Adequate liquidity at holding company - The company's liquidity is adequate at a standalone level, led by upfront of project equity by GGEF and debt tie-up in place for the under-construction projects. This shows the strong support and the strategic importance that GGEF accords to the company. Free cash and liquid investments stood at ~Rs. 133 crore on a standalone basis as on March 31, 2024. The company has also demonstrated a strong ability to raise project finance for its under construction projects and also refinance its existing debt portfolio at competitive interest rates and with top-ups. Project-level DSRA has been maintained in the respective SPVs, in line with the respective loan terms. At the standalone level, the DSRA for the construction finance loans has been maintained.

Credit challenges

Cash flows exposed to risks of variation in irradiance and interest rates - The solar power projects of the Group are exposed to risks associated with the nature of operations and the variability in PLF as the revenue is linked to the actual generation. The risk is mitigated to some extent by the presence of multiple projects across locations. The projects are also exposed to interest rate risks as the tariffs are fixed, while majority of the loans have been availed at floating interest rates. Thus, a material increase in the interest rates can impact the debt servicing capabilities of the projects negatively.

Execution risk associated with under-construction projects - The Group plans to increase its capacity to ~850 MWp by the end of FY2025. Moreover, the Group plans to increase the portfolio size to ~2 GWp over next three years, resulting in sizeable

execution risk for the Group. The ability of the Group to commission the projects without major cost and/or time overruns will remain critical. The Group's strategy to set up solar / wind / hybrid parks initially and then market the solar / wind / hybrid plants mitigates the execution risk to some extent, as the evacuation and land approvals are in place well in advance of the project execution.

Regulatory risk due to changes in open access charges/banking norms/regulations by SERCs across states - The projects of the subsidiaries of RRPL have PPAs with C&I customers and are exposed to regulatory risk on account of changes in open access charges/banking norms etc. The risk is mitigated to some extent by having fixed PPA tariff for all the projects and by the pass-through of such charges/losses to the C&I customers in majority of the PPAs. However, in case of any upward revision in these charges/losses or adverse changes in regulations, the landed cost of power for C&I customers will increase, which may lead to tariff negotiation once the lock-in period ends.

Moderate tariff competitiveness; risk of termination of PPAs post lock-in period - While the PPA tariff for the company's portfolio remains higher than the bid-driven utility scale solar and wind tariff, it is at a discount for the respective third party/group captive customers vis-a-vis the grid tariff, providing an economic benefit to them and offers comfort. Further, the PPAs have adequate safeguards such as lock-in and termination penalty clauses during events of default. Given the declining trend of solar energy tariffs, the operations of the company's subsidiaries in third party/group captive mode remain exposed to the risk of tariff renegotiation and/or termination, especially after the expiry of the lock-in period in the PPAs.

Liquidity positions: Adequate

The liquidity position of RRPL (Standalone) remains adequate, driven by the upfront equity infusion by GGEF in FY2023 and FY2024 which has enabled the company to meet its equity contribution in the projects. This shows the strong support and the strategic importance that GGEF accords to the company. ICRA expects the liquidity position to remain adequate going forward as well, given the company's plans to raise additional equity in FY2025 to enable it to meet its capital commitment requirements for the upcoming projects in a comfortable manner. Free cash and liquid investments stood at Rs. 133 crore on a standalone basis as on March 31, 2024.

Rating sensitivities

Positive Factors – The ratings may be upgraded if the company is able to commission the under-construction projects without major cost and time overruns and/or there is a material improvement in the debt coverage indicators. An increase in the installed capacity coupled with a satisfactory generation track record of the operational projects of the Radiance Group in line with the P90 estimates on a sustained basis will also support an upgrade.

Negative Factors – Major time and cost overruns impacting the profitability of the under-construction projects could result in a downward pressure on the ratings. The ratings may also be impacted if the generation is lower than P90 PLF estimates for the operational projects of the Radiance Group on a sustained basis and/or any additional indebtedness at the holding company resulting in moderation in the debt coverage indicators or a significant deterioration in the payment cycle from counterparties could also lead to a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Solar
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of RRPL

About the company

Radiance Renewables Private Limited is a 100% subsidiary of Green Growth Equity Fund (GGEF), an alternative investment fund managed by EverSource Capital and anchored by NIIF and the UK Government. Radiance Renewables is focused on setting up renewable power projects to supply electricity to commercial and industrial customers. EverSource Capital is a joint venture between EverStone and Lightsource BP. EverStone is a leading private equity player with more than 70 private equity deals in India. Lightsource BP is a leading global renewables player with 290 utility-scale projects built and one of the largest global O&M platforms (2 GW AUM).

Key financial indicators (audited)

RRPL consolidated	FY2022	FY2023
Operating income	199.0	520.8
PAT	-22.9	-72.5
OPBDIT/OI	-2.0%	7.0%
PAT/OI	-11.5%	-13.9%
Total outside liabilities/Tangible net worth (times)	1.1	1.1
Total debt/OPBDIT (times)	-106.5	31.8
Interest coverage (times)	-0.2	0.4

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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 24, 2024	Apr 04, 2023	Aug 23, 2022	Nov 11, 2021
1 Fund-based limits	Long term	400.00	225.00	[ICRA]A (Stable)	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A (Stable)
2 Non-fund-based limits	Short term	520.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+
3 Unallocated	Long term/ Short term	-	-	-	-	[ICRA]A (Positive)/ [ICRA]A2+	[ICRA]A (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based limits	Simple
Short term - Non-fund based limits	Very 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	Long term – Fund-based limits	-	-	-	400.0	[ICRA]A (Stable)
NA	Short term - Non-fund based limits	-	-	-	520.0	[ICRA]A2+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Kushtagi Solar Power Private Limited	100%	Full Consolidation
Rise Renewables Private Limited	100%	Full Consolidation
Origin Renewables Private Limited	100%	Full Consolidation
Radiance KA Sunrise One Private Limited	74%	Full Consolidation
Radiance MH Solar Power Private Limited	74%	Full Consolidation
Radiance TN Solar Power Private Limited	100%	Full Consolidation
Capsol Energy Private Limited	70%	Full Consolidation
Radiance KA Sunrise Two Private Limited	74%	Full Consolidation
Radiance KA Sunrise Three Private Limited	74%	Full Consolidation
Radiance KA Sunrise Four Private Limited	74%	Full Consolidation
Radiance KA Sunrise Five Private Limited	74%	Full Consolidation
Radiance KA Sunrise Six Private Limited	100%	Full Consolidation
Radiance MH Sunrise One Private Limited	100%	Full Consolidation
Radiance MH Sunrise Two Private Limited	74%	Full Consolidation
Radiance MH Sunrise Three Private Limited	74%	Full Consolidation
Radiance MH Sunrise Four Private Limited	74%	Full Consolidation
Radiance MH Sunrise Five Private Limited	74%	Full Consolidation
Radiance MH Sunrise Six Private Limited	74%	Full Consolidation
Radiance MH Sunrise Seven Private Limited	74%	Full Consolidation
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Radiance MH Sunrise Eleven Private Limited	100%	Full Consolidation
Radiance MH Sunrise Twelve Private Limited	100%	Full Consolidation
Radiance MH Sunrise Thirteen Private Limited	100%	Full Consolidation
Radiance MH Sunrise Fourteen Private Limited	100%	Full Consolidation
Radiance MH Sunrise Fifteen Private Limited	51%	Full Consolidation
Radiance MH Sunrise Sixteen Private Limited	100%	Full Consolidation
Radiance MH Sunshine One Private Limited	100%	Full Consolidation
Radiance MH Sunshine Two Private Limited	100%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Radiance MH Sunshine Three Private Limited	100%	Full Consolidation
Radiance MH Sunshine Four Private Limited	100%	Full Consolidation
Radiance MH Sunshine Five Private Limited	100%	Full Consolidation
Radiance MH Sunshine Six Private Limited	100%	Full Consolidation
Radiance MH Sunshine Seven Private Limited	100%	Full Consolidation
Radiance MH Sunshine Eight Private Limited	100%	Full Consolidation
Radiance KA Sunshine One Private Limited	74%	Full Consolidation
Radiance KA Sunshine Two Private Limited	74%	Full Consolidation
Radiance KA Sunshine Three Private Limited	99%	Full Consolidation
Radiance KA Sunshine Four Private Limited	74%	Full Consolidation
Radiance KA Sunshine Five Private Limited	74%	Full Consolidation
Radiance KA Sunshine Six Private Limited	74%	Full Consolidation
Radiance KA Sunshine Seven Private Limited	100%	Full Consolidation
Radiance KA Sunshine Eight Private Limited	100%	Full Consolidation
Radiance MH Solar Park Private Limited	100%	Full Consolidation
RFE Electric Private Limited	100%	Full Consolidation
Radiance TN Solar Park Private Limited	100%	Full Consolidation
Radiance TN Sunrise One Private Limited	100%	Full Consolidation
Arize Renewables Private Limited	100%	Full Consolidation
Energywiz Private Limited	100%	Full Consolidation
Solenco Renewables Private Limited	100%	Full Consolidation
Mirzapur Power Private Limited	100%	Full Consolidation
Radiance MH Sunrise Seventeen Private Limited	100%	Full Consolidation
Radiance DC Sun Energy Private Limited	74%	Full Consolidation
Solarstream Renewable Services Private Limited	51%	Full Consolidation
Azure Solar Solution Pvt Ltd.	100%	Full Consolidation
Azure Renewable Energy Pvt Ltd	100%	Full Consolidation
Azure Sunlight Pvt Ltd	100%	Full Consolidation
Azure Power Thirty Eight Pvt Ltd	49%	Full Consolidation
Radiance Anjar Hybrid Renewables Private Limited	100%	Full Consolidation
Radiance Renewable Projects Private Limited	100%	Full Consolidation
Radiance Green Markets Private Limited	100%	Full Consolidation
Parola Renewables Private Limited	74%	Full Consolidation
Azure Sun Energy Private Limited	100%	Full Consolidation
Solenco Solar Park Private Limited	100%	Full Consolidation
Voltalia Energy Private Limited	100%	Full Consolidation

Source: RRPL Annual Report FY2023

Note: ICRA has taken a consolidated view of the RRPL and its subsidiaries while assigning the ratings.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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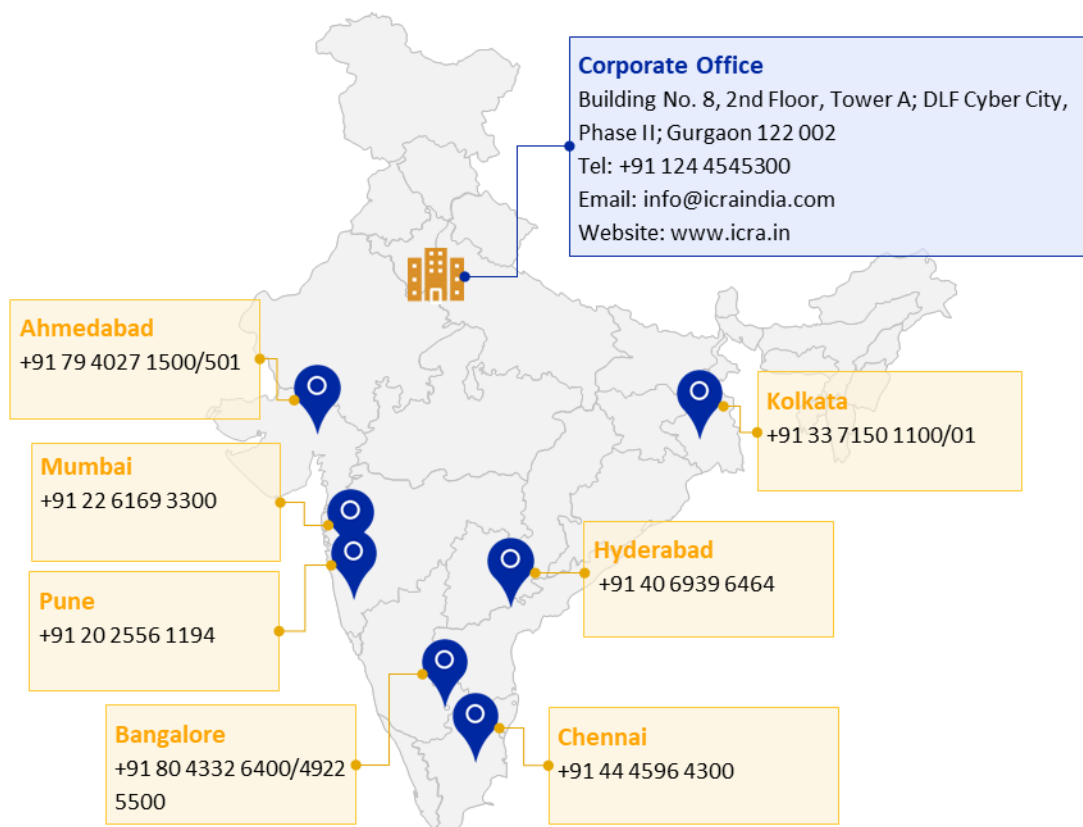


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