

June 25, 2024

Talettutayi Solar Projects Five Private Limited: Placed on Rating watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	224.00	215.50	[ICRA]BBB+; placed on Rating watch with developing implications
Total	224.00	215.50	

*Instrument details are provided in Annexure-1

Rationale

The rating has been placed on watch with developing implications following the announcement/notice of liquidation of Asia Energy Impact Trust (AEIT or Trust), which is the sponsor for Solar Arise India Projects Private Limited (SAIPPL or Solar Arise Group), and the resultant uncertainty over the parentage and financial flexibility of SAIPPL.

SAIPPL is the holding company for the solar assets of AEIT in India and is the parent company for Talettutayi Solar Projects Private Limited (TT), Talettutayi Solar Projects Five Private Limited (TT5) and Talettutayi Solar Projects Six Private Limited (TT6). The shareholders of AEIT had approved the liquidation of the Trust in their meeting on June 14, 2024.

The rating takes comfort from the presence of a cash pooling structure with a defined mechanism for the sharing of surplus cash flow prior to the due date of debt servicing among TT, TT5 and TT6, enabling ICRA to take a consolidated view of the three cash pooling special purpose vehicles (SPVs).

ICRA notes that the Solar Arise Group has sufficient liquidity at the SPV as well as the standalone level. Moreover, at present, AEIT has \$22 million of liquid funds which are expected to be retained to meet any funding shortfall/capital commitments for any of its generation assets in Philippines, Vietnam and India till a new investor comes in. The solar power assets in India account for ~94% of the overall capacity under AEIT (adjusted for economic interest). Moreover, SAIPPL has funded the equity portion for the single under-construction project (financial closure in place) in India and the under-development project of the Group has been put on hold. ICRA expects AEIT/SAIPPL to extend the necessary support to the rated SPVs, given the available liquidity with the Trust, SAIPPL and the respective SPVs, and the limited requirement of funds for the under-construction or the under-development SPVs of the Group. ICRA shall continue to monitor the developments with respect to AEIT's stake sale in SAIPPL.

The rating takes into account the presence of long-term PPAs, mitigating the offtake and tariff risks for the cash pooling SPVs, their stable generation performance as well as the moderate benefits accruing from the geographic and customer diversification of the pool. The overall competitiveness of the pool remains moderate, given a larger share of the more competitive tariff for the 50-MW project. The implementation of the Late Payment Scheme, 2022, has improved the collection performance for the cash pooling SPVs.

The debt coverage metrics of the pool remain supported by the fixed rate (fixed rate till FY2028) and the long tenure debt of the cash pooling SPVs. The ratings are constrained by the sensitivity of the pool's performance to any adverse variation in weather conditions which may impact the PLF levels and consequently affect the cash flows and debt servicing. Additionally, the debt coverage metrics remain sensitive to the increase in interest rates beyond FY2028.

Key rating drivers and their description

Credit strengths

Satisfactory overall operating track record of projects with moderately diversified counterparty mix- The cash pooling SPVs consist of 50-MW solar power capacity in UP and 20-MW solar power capacity in Telangana with long-term PPAs in place with

the respective state distribution utilities. The diversification benefits with respect to the location and counterparty remain moderate as a major portion of the capacity of the pool is at a single location and with a single offtaker. Nevertheless, the generation performance of the cash pooling SPVs has remained in line with the P-90 estimates in FY2024.

Long-term PPAs for the entire 70-MW capacity mitigate demand and pricing risks—The SPVs have signed 25-year PPAs with TSSPDCL for TT & TT6 at a fixed tariff of Rs. 6.89 per unit for the entire capacity of 10 MW each. For TT5, the PPA has been signed with UPPCL at a fixed tariff of Rs. 3.21 per unit for the entire capacity of 50 MW. This limits the demand and pricing risks for this project.

Adequate liquidity profile and comfortable expected coverage metrics – The liquidity of the cash pooling SPVs remains adequate with the presence of a two-quarter debt service reserve and an inverter replacement reserve of ~Rs. 11.4 crore as well as free cash of Rs. 19.5 crore as on May 31, 2024 for the overall pool. ICRA understands that the surplus funds are likely to be retained in the SPVs till the sale of AEIT's stake in SAIPPL and shall support the liquidity position of the pool in the near term.

Long-tenure debt tied up with interest rates fixed for the 5-year period till FY2028 –The debt availed by the cash pooling SPVs has a blended tenure of 16 years and a fixed rate of interest till FY2028. Further, there is a healthy tail period of ~5 years between the residual PPA and the debt tenure.

Credit challenges

Vulnerability of cash flows to solar irradiation and exposure to other climatic risks – Variability in solar irradiation may affect the generation, which may impact the revenues and the cash flow of the projects as the revenues are directly linked to the actual generation. The risk is mitigated to a limited extent by the geographically diversified asset base of the overall portfolio.

Exposure to counterparty credit risk and moderate tariff competitiveness – The entire capacity under the cash pooling SPVs has been contracted with the state distribution utilities of UP and Telangana. While the payments from the discoms have improved with the implementation of the Late Payment Scheme, 2022, the collection performance of the pool shall remain vulnerable to the weak credit profiles of the beneficiaries. The tariff competitiveness of the pool remains supported by the low PPA tariff for a sizeable capacity contracted with the UP discom.

Leveraged capital structure and exposure to interest rate movement, post FY2028 – The leveraged capital structure and fixed tariffs under the PPAs for the pool expose the debt coverage metrics to the interest rate movement. While the interest rate on the long-term loans is fixed for a period of five years till FY2028, it will be exposed to the interest risk movement thereafter.

Liquidity position: Adequate

The liquidity of the cash pooling SPVs remains adequate with the presence of a two-quarter debt service reserve and an inverter replacement reserve of ~Rs. 11.4 crore as well as free cash of Rs. 19.5 crore as on May 31, 2024 for the overall pool. ICRA understands that the surplus funds are likely to be retained in the SPVs till the sale of AEIT's stake in SAIPPL and shall support the liquidity position of the pool in the near term. Moreover, the cash flow from operations, backed by healthy generation and timely collections, shall remain more than adequate to meet the annual debt servicing requirements of the pool.

Rating sensitivities

Positive factors – ICRA could resolve the rating watch, subject to clarity on the change in parentage/investor of SAIPPL.

Negative factors – Subject to a resolution of the watch, pressure on the rating could arise if there is a deterioration in the project's operational performance, pulling down the cumulative DSCR (for external debt). Any significant delay in receiving payments from the offtaker, adversely impacting the liquidity profile of the company, will also affect the rating. Further, a moderation in the credit profile of the holding company (SAIPPL) or weakening of linkages with it may act as the negative triggers.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology- Power-Solar
Parent/Group Support	Parent/Group Company: Solar Arise India Projects Private Limited(SAIPPL) The rating assigned to the pool factors in the high likelihood of its parent, SAIPPL, extending need-based financial support to the SPVs under the pool. ICRA also expects SAIPPL to be willing to extend financial support to the cash pooling SPVs out of its need to protect its reputation from the consequences of a group entity's distress. There also exists a consistent track record of SAIPPL extending long-term and short-term financial support, whenever the need has arisen.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of the 3 cash pooling SPVs listed in Annexure II

About the company

Taletutayi Solar Projects Five Private Limited (TT5) was incorporated on July 08, 2016 and is owned by Solar Arise India Projects Private Ltd (SAIPPL). TSPFPL has set up a 50 MW AC (75 MW DC) grid connected solar photovoltaic (PV) power project in Uttar Pradesh using mono-crystalline silicon photovoltaic technology. Uttar Pradesh New & Renewable Energy Development Agency (UPNEDA) had initiated a competitive bidding process and TSPFPL was successful bidder and accordingly UPNEDA had issued LOI dated Nov 22, 2018 for the construction, operation & maintenance and supply of power for 50MW (AC) / 75MW (DC) Solar Power Project at Kheda Village in Badaun District of Uttar Pradesh State, India.

About the cash pooling SPVs

The SPVs under the cash pooling arrangement have an aggregate installed solar power capacity of 70MW, with 50MW installed in UP and the balance 20 MW installed in Telangana. The entire capacity of the pool has been contracted with the respective state distribution companies for a period of 25 years.

Key financial indicators (Audited)

Cash pooling SPVs	FY2022	FY2023	FY2024*
Operating income (Rs. crore)	54.4	55.9	56.4
PAT (Rs. crore)	(15.7)	(17.0)	(8.2)
OPBDIT/OI (%)	74.1%	79.1%	71.0%
PAT/OI (%)	-28.8%	-30.3%	-14.6%
Total outside liabilities/tangible net worth (times)**	5.7	4.3	4.9
Total debt/OPBDIT (times)	16.1	9.4	10.1
Interest coverage (times)	1.2	1.5	1.4

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

* Provisional **TNW includes promoter long-term funds like CCD/NCD investments

Status of non-cooperation with previous CRA: Not Available

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years			
	Type	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	
				25-June-2024	May 29, 2023	Oct 12, 2022	-	
1 Term loan	Long Term	215.50	215.50	[ICRA]BBB+ Rating watch with developing implications	[ICRA]BBB+(Stable)	[ICRA]BBB+ Rating watch with developing implications	-	

Complexity level of the rated instrument

Instrument	Complexity Indicator
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	Mar 2022	8.50%	FY2041	215.50	[ICRA]BBB+; Rating watch with developing implications

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
Talettutayi Solar Projects Private Limited	100.00%	Full Consolidation
Talettutayi Solar Projects Six Private Limited	100.00%	Full Consolidation
Talettutayi Solar Projects Five Private Limited	100.00%	Full Consolidation

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