June 26, 2024

Radiance DC Sun Energy Pvt Ltd: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Term loan	651.30	[ICRA]A- (Stable); assigned
Total	**651.30**	

**Instrument details are provided in Annexure-I*

Rationale

The rating assigned takes into account the strong parentage of Radiance DC Sun Energy Private Limited (DC Sun Energy) which is developing a ~217-MW (DC) plant in Maharashtra. Radiance Renewables Private Limited, rated [ICRA]A (Stable)/[ICRA]A2+, which owns a 74% stake in DC Sun Energy, is backed by Green Growth Equity Fund (GGEF) and has an installed capacity base of ~500MWp and is expected to achieve a cumulative installed capacity of over ~850 MWp by FY2025 with the commissioning of the under-construction projects. Thereafter, it expects to add ~500-MW capacity on an annual basis, subject to raising fresh equity capital in a timely manner. The analytical approach for arriving at the company's rating takes into consideration the presence of a cash pooling structure with a defined mechanism for sharing of surplus cash flow prior to the due date of debt servicing among the cash pooling special purpose vehicles (SPVs), enabling ICRA to take a consolidated view for DC Sun Energy and Radiance MH Solar Park Pvt Ltd (MH Solar Park). MH Solar Park has developed the solar park and the associated infrastructure and leased the same to DC Sun Energy.

The rating is supported by minimal offtake and counterparty credit risk for the project as the entire generation capacity is tied up with a creditworthy offtaker under a 25-year long-term power purchase agreement (PPA). Additionally, the tariff competitiveness for the project remains superior with the company offering significant discount to the offtaker compared to the prevailing grid tariff. The project economics/debt service coverage metrics remain satisfactory, aided by the long-tenured debt at an attractive interest rate. The project is being developed under a captive arrangement which insulates the company from the levy of cross-subsidy and additional surcharges.

The rating is, however, constrained by the execution risks in the project with phase 1 of the capacity expected to be commissioned by June 2024, while the balance is likely to come up by December 2024. Land for phase 1 has been largely acquired, while that for phase 2 is expected to be acquired by September 2024. The evacuation infrastructure for the entire 150-MW AC is ready and the plant had started generating electricity with DC capacity being installed in a phased manner.

The company's cash flow and debt protection metrics will remain sensitive to the irradiance levels, given the single-part tariff under the PPA. Any adverse variation in weather conditions and module performance may impact the PLF levels and consequently the cash flow. This is amplified by the geographic concentration of the asset as the entire capacity is at a single location in Maharashtra. The ability of the company to demonstrate generation in line with or above the design PLF levels on a sustained basis will remain a key monitorable.

The Stable outlook on the company's rating reflects ICRA's expectation that the project will be commissioned within the budgeted time and costs followed by generation in line with the design levels.

Key rating drivers and their description

Credit strengths

Strong parentage ensures financial flexibility and managerial support - DC Sun Energy and MH Solar Park are subsidiaries of Radiance Renewables Private Limited (RRPL), which is the holding company of the Radiance Group. RRPL is backed by Green

Growth Equity Fund (GGEF). 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 Lightsource BP. The management of the Radiance Group has experience in setting up renewable power projects in India. RRPL has an installed capacity base of ~500MWp 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.

Revenue visibility with strong counterparty - The revenue visibility remains healthy, given the 25-year PPA at a fixed tariff with reputed C&I customer which has a strong credit profile. The expected stable power generation and a highly competitive tariff vis-à-vis the grid tariff is likely to result in steady cash generation for the project.

Tariff competitiveness - The PPA tariff offered by the company is at a considerable discount to the state grid tariff rates, which enables the customer to realise significant savings. In addition, while the state grid tariffs are expected to show an inflationary trend, the tariff of the project is fixed and therefore expected to remain competitive over the project term.

Satisfactory debt coverage metrics - The debt coverage metrics are expected to remain comfortable with a cumulative DSCR of above 1.25x over the debt repayment tenure, supported by the long-term PPA at a remunerative tariff, the long tenure of the project debt and competitive interest rates.

Credit challenges

Project in development stage - The project has inherent execution risk as it is in a construction phase, with phase 1 of the capacity expected to be commissioned by June 2024, while the balance is likely to come up by December 2024. Land for phase 1 has been largely acquired, while that for phase 2 is expected to be acquired by September 2024. The evacuation infrastructure for the entire 150-MW AC is ready and the plant had started generating electricity with DC capacity being installed in a phased manner. Any major delays in commissioning the project or cost overruns impacting the debt coverage indicators would be important from a credit perspective.

Cash flows exposed to risk of irradiance levels and interest rate environment - The power production and, thus, the cash flow generation for solar power projects remains exposed to the irradiance levels. While the company does not have control over weather-related factors, the cash flow will face headwinds in a scenario of lower-than-expected irradiance because of the one-part nature of the tariff. The cash flow would also remain susceptible to the changes in interest rates for the loan contracted by the entity as the tariff is fixed in nature while the interest rates on the term loans are variable.

Liquidity position: Adequate

The liquidity is expected to remain adequate, aided by positive cash flow from operations on the back of the long-term PPA at a fixed rate for the solar power project and expectation of timely receipt of payments from the customer, given its strong credit profile. Further, the free cash/bank balance stood of Rs. 10.14 crore as on June 06, 2024, while a DSRA of Rs. 14.70 crore is in place.

Rating sensitivities

Positive factors – ICRA could upgrade rating if the generation is in line with the P-90 PLF estimates on a sustained basis, or if there is a material reduction in the debt levels and improvement in the debt coverage metrics. The rating may also be upgraded if the credit profile of the parent, Radiance Renewables Private Limited, improves

Negative factors - Pressure on ratings could arise if any material delay in the project or cost overrun, or if there is a deterioration in its operational performance, pulling down the cumulative DSCR below 1.15 times. A weakening in the credit profile of Radiance Renewables Private Limited will also create pressure on the rating

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Solar
Parent/Group support	ICRA has factored in implicit support from the parent, Radiance Renewables Private Limited
Consolidation/Standalone	For arriving at rating, ICRA has considered the consolidated financials of MH Solar Park and DC Sun Energy

About the company (DC Sun Energy)

DC Sun Energy is a subsidiary of Radiance Renewables Private Limited. DC Sun Energy is setting up a 217.5-MW DC solar power plant at Mol-Manjarwadi, Maharashtra, under the group captive model which is expected to be commissioned in two phases: phase 1 of 72.5 MW from June 30, 2024 and phase 2 of 145.0 MW from December 31, 2024. The offtaker holds 26% stake in DC Sun Energy and has signed a 25-year power purchase agreement (PPA) at a fixed tariff of Rs.3.40 per unit.

About the company (MH Solar Park)

MH Solar Park is a wholly-owned subsidiary of Radiance Renewables Private Limited. MH Solar Park is constructing and developing solar power park along with evacuation infrastructure situated at Mol-Manjarwadi, Maharashtra. Radiance DC Sun Energy Private Limited is setting up 217.5-MW (DC) solar project in this solar park.

Key financial indicators (audited)

Not Applicable as the project is under development

Status of non-cooperation with previous CRA: Not applicable

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 Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Jun 26, 2024			
1	**Term loan**	Long term	651.30	162.82	**[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**	FY2024	NA	FY2041	651.30	[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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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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