

June 28, 2024

Ujvalatejas Solaire Urja Private Limited: [ICRA]AA- (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	78.29	[ICRA]AA- (Stable); assigned
Total	78.29	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in the healthy operating track record of Ujvalatejas Solaire Urja Private Limited's (USUPL) 20-MW (24 MW DC) solar photovoltaic (PV) project since its commissioning in November 2016. The rating further takes into account the presence of a long-term power purchase agreement (PPA) with Northern Power Distribution Company of Telangana Limited (TSNPDCL) for the entire capacity of 20 MW at a fixed tariff of Rs. 6.79 per unit.

ICRA factors in the benefits available to USUPL from being part of a cash pooling mechanism and the cross-default linkages with three other special purpose vehicles (SPV) – Solaire Surya Urja Private Limited (SSUPL), Suprasanna Solaire Energy Private Limited (SSEPL), Nirjara Solaire Urja Private Limited (NSUPL) - of the Edelweiss Infrastructure Yield plus (EIYP) portfolio, wherein surplus cash in either of the SPVs can be used to meet the shortfall in debt servicing of the other SPV. All the four SPVs operate ground-mounted solar power projects, aggregating to 250 MWp spread across two states in India.

The rating also takes into account note the experience as well as the management quality of the promoter group (EIYP), which has large investments in sectors such as power transmission, renewables, roads and highways etc. Moreover, ICRA takes note of the company's healthy debt coverage metrics, with cumulative DSCR on the project debt estimated to remain above 1.7x times, supported by a strong operating performance. The long maturity of the project debt and the presence of a debt service reserve account (DSRA) equivalent to two quarters' debt obligations also provide comfort from credit perspective.

ICRA notes that the promoter contribution for the project is largely in the form of debt instruments, which remain subordinated to the project debt, and the payment of interest on these instruments is subject to meeting the restricted payment conditions stipulated under the loan agreement. The rating also draws comfort from the presence of an experienced sponsor, EIYP, which is operating ~813.2 MWp of renewable energy capacities in India, and its association with the Engie Group, as the operations and maintenance (O&M) of the plant is managed by Engie Group entity, Solairedirect India LLP.

The rating, however, is constrained by counterparty credit risk pertaining to the sole off-taker, TSNPDCL. ICRA notes that, after the implementation of the Late Payment Surcharge (LPS) scheme, the company's receivables position has improved to 75 – 85 days. However, given the weak credit profile of the offtaker, the exposure to counterparty credit risk continues and timely collection of payments from TSNPDCL on a sustained basis will be a key monitorable. Further, the rating is constrained by the vulnerability of the cash flow to weather conditions and module performance, as the revenues are linked to the actual units generated and exported, considering the single part and fixed tariff under the PPA. However, the inconsistency in cash flows due to a variation in solar irradiation level remains relatively low for solar PV-based projects compared to other renewable source-based projects. Additionally, the company has a cushion in working capital facilities and maintains a working capital reserve. The rating also factors in the geographic-concentration risk as USUPL's solar asset is at a single location. Nonetheless, the company benefits from the availability of relatively high solar radiation at its site location in Telangana.

Further, the debt coverage metrics of USUPL remain exposed to the interest rate movement, given the fixed tariff under the PPA. Moreover, ICRA notes that the company's operations remain exposed to the regulatory challenge of implementing the scheduling and forecasting framework, given the limited experience of the industry players in India in scheduling and

forecasting, and the variable nature of solar energy generation. However, the risk of variation is relatively low for solar power projects compared to wind power projects.

The Stable outlook on the long-term rating for USUPL reflects ICRA's expectation that the company's operating performance would remain healthy, and it would continue to benefit from the long-term PPA with TSNPDCL.

Key rating drivers and their description

Credit strengths

Healthy generation performance and comfortable debt coverage metrics - The 20-MW (24 MW DC) capacity was commissioned in November 2016 and has a generation track record of more than seven years. During this time, the plant has consistently operated at a PLF above the P-90 estimate. This, along with the long tenure of the project and the competitive cost of debt, is expected to result in strong debt coverage metrics for USUPL, with the cumulative DSCR on the project debt estimated to remain above 1.7 times over the repayment tenure.

Long-term PPA with Northern Power Distribution Company of Telangana Limited (TSNPDCL) - USUPL has low offtake risks owing to the presence of a long-term (25-year) PPA at a tariff of Rs. 6.79 per unit for the entire duration of the project. The long-term PPA provides revenue visibility for the company.

Presence of an experienced sponsor; operational expertise from association with France-based Engie Group – USUPL's sponsor, EIYP, has investments in power transmission, roads and renewable assets with an experienced management and operating team. Further, ICRA takes note of the company's operating expertise from its association with France-based utility major, Engie. The O&M of the plant is managed by Engie Group entity, Solairedirect India LLP.

Credit challenges

Sensitivity of debt metrics to energy generation – As the tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to the variation in weather conditions and/or equipment quality. This, in turn, would affect its cash flows and debt servicing ability. The geographical concentration of the asset amplifies the generation risk. Nonetheless, comfort is derived from the sourcing of PV modules from tier-I suppliers, presence of an experienced O&M contractor and a satisfactory performance so far.

Exposure to interest rate movement – The company's capital structure remains highly leveraged with a major portion of the cost funded through debt. As a result, the company's debt coverage metrics remain exposed to any movement in interest rate, given the floating interest rates.

Regulatory risks of implementing scheduling and forecasting framework for solar sector -The company's operations are exposed to regulatory risks pertaining to the scheduling and forecasting requirements of solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects. Further, the company also remains exposed to the risk of grid curtailment, given the higher PPA tariff against the average power purchase cost of the utility.

Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate with the cash flows from operations along with the available cash balances and DSRA sufficient to service the debt obligations. As on May 31, 2024, the company has total cash and bank balances of Rs. 26.12 crore, including DSRA of Rs. 6.58, along with cushion in working capital facilities.

Rating sensitivities

Positive factors – The rating can be upgraded if the generation performance remains above the P-90 estimate, enabling the company to maintain strong debt coverage metrics. An improvement in the credit profile of its counterparty, TSNPDCL, will also favour an upgrade. Also, the rating would remain sensitive to the credit profile of the other SPVs in the pool.

Negative factors – The rating could be downgraded in case of a significant underperformance in generation, adversely impacting USUPL's debt coverage metrics. A specific credit metric for downgrade includes the cumulative DSCR on the project debt falling below 1.30 times. Also, any significant delays in receiving payments from the offtaker affecting USUPL's liquidity profile may trigger a downgrade. Further, the rating would remain sensitive to the credit profile of the other SPVs in the pool.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	The rating assigned factors in the presence of cash surplus sharing and cross-default linkages among the four SPVs of the group viz., SUPL, SSEPL, USUPL & NSUPL. The rating for USUPL has been arrived at by following the analytical steps: 1. An assessment of the standalone credit profile of USUPL 2. An assessment of the pool's credit profile by undertaking a consolidated assessment of the four SPVs in view of the linkages among them. 3. The final rating of USUPL is arrived at by suitably notching up the standalone rating after duly considering the pool's rating and the linkages between the standalone entity and the pool.
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

Ujvalatejas Solaire Urja Private Limited (USUPL) was incorporated to set up a 20-MW (AC)/ 24-MW (DC) grid connected solar PV project at a single site in Telangana. The project was won through competitive bidding under the state solar policy. The project was commissioned in November 2016. The company has signed long term PPA of 25 years with Northern Power Distribution Company of Telangana Limited at a tariff rate of Rs.6.79 /unit. USUPL is promoted by Edelweiss Infrastructure Yield Plus (EIYP) (74% stake). The 26% shareholding of the company remains with Engie Energy India Private Limited, or EEIPL (erstwhile Solairedirect Energy India Private Limited or SEIPL).

Key financial indicators (audited)

USUPL Standalone	FY2023	FY2024 [^]
Operating income	24.92	24.85
PAT	-1.56	3.6
OPBDIT/OI	85.03%	81.13%
PAT/OI	-6.26%	14.58%
Total outside liabilities/Tangible net worth (times)	52.50	26.11
Total debt/OPBDITA (times)	7.16	7.35
Interest coverage (times)	1.13	1.11

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation [^]provisional

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 May 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
1	Term loans	78.29	78.29	Jun 28, 2024 [ICRA]AA-(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	April 2021	-	Sep - 2036	78.29	[ICRA]AA- (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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