August 28, 2024

Masaya Solar Energy Private Limited: Ratings reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	1,250.00	1,250.00	[ICRA]BBB+; reaffirmed; outlook revised to Positive from Stable
Short term – Non-fund based limit	100.00	100.00	[ICRA]A2; reaffirmed
Total	**1,350.00**	**1,350.00**	

Instrument details are provided in Annexure-I

Rationale

The change in the outlook on the long-term rating assigned to Masaya Solar Energy Private Limited (MSEPL) to Positive from Stable reflects ICRA's opinion that the cash flows from the project will improve, going forward, driven by sustained generation above the P-90 level as the project stabilises and records timely receipt of payments from a strong counterparty, i.e., SECI. The project commissioned operations at full capacity from March 2024.

The ratings continue to factor in the strong parentage of MSEPL as it is promoted by the ACEN (Ayala Group power platform) and UPC groups through their joint venture (JV) in Masaya Solar Holdco HK Ltd. (MSHHL), with majority shareholding of the ACEN Group.

The ratings also factor in the high revenue visibility and the low offtake risk for the 300-MWAc solar power project because of the long-term (25-year) power purchase agreement (PPA) with Solar Energy Corporation of India Limited (SECI) for the entire capacity at a fixed tariff of Rs. 2.71 per unit. The ratings draw comfort from the PPA with a strong counterparty, i.e., SECI (rated [ICRA]AAA (Stable)/[ICRA]A1+), which is relatively superior against the state policy PPAs. SECI is an intermediary counterparty and has signed power supply agreements (PSAs) with the state-owned distribution utilities (discoms) of Telangana and Tamil Nadu.

The ratings, however, are constrained by the project's limited track record of operations, as it commenced operations at full capacity recently. Additionally, the company remains exposed to asset concentration risk as the entire capacity is located at a single site in Madhya Pradesh. Also, given the single-part nature of the fixed tariff under the PPA, the debt metrics of the project remain sensitive to energy generation which is dependent on weather conditions and seasonality. Further, the project's cash flows are susceptible to any adverse movement in interest rates. ICRA also notes that MSEPL is exposed to regulatory risks associated with scheduling and forecasting norms for solar projects and changes in the group captive norms.

Key rating drivers and their description

Credit strengths

Strong parentage - The 300-MWAc solar power project under MSEPL is majorly held by the ACEN Group (~75.5% holding), which is promoted by Ayala Corporation (Ayala). Ayala is one of the largest conglomerates in the Philippines with core interests in real estate, banking, telecommunication and power. ACEN is present in the Philippines, Vietnam, Indonesia, India, Lao PDR, Australia and the US. It has a total installed renewable energy capacity of more than 4 GW. In India, ACEN has three projects in JV with the UPC Group, i.e., MSEPL, Sitara Solar Energy Private Limited (Sitara – 100 MWAc) and Paryapt Solar Energy Private Limited (Paryapt - 50 MWAc). Sitara and Paryapt are operational projects having PPAs with GUVNL and SECI, respectively. The Group's current pipeline of projects includes a 250-MW solar power project and a 300-MW hybrid power project won through

SECI auctions, a 100-MW wind power project won through SJVN auction and a 100-MW C&I wind project. These projects are expected to come under a new platform/JV, which will be held 50% by ACEN and 50% by UPC. Further, the ACEN Group has extended an undertaking-cum-guarantee for the entire debt of MSEPL. It has a demonstrated track record of providing timely financial support for project execution and debt repayments.

Revenue visibility from long-term PPA and superior tariff competitiveness - MESPL has low offtake risks owing to the presence of a long-term (25-year) PPA at a highly competitive tariff of Rs. 2.71 per unit for the entire project capacity with SECI. The long-term PPA provides revenue visibility to the company. SECI is an intermediary counterparty and has signed PSAs with the state-owned distribution utilities of Telangana (Southern Power Distribution Company of Telangana Limited and Northern Power Distribution Company of Telangana Limited) and Tamil Nadu (Tamil Nadu Generation & Distribution Corporation Limited). Further, the applicable tariff of Rs. 2.78/unit (including trading margin of Rs. 0.07/unit) for the distribution utilities, i.e. the ultimate offtakers, is highly competitive in relation to the average power purchase cost for the utilities of Rs. 4.39/unit (Telangana discoms) and ~Rs. 4.62/unit (Tamil Nadu discom) approved for FY2024, as per the tariff orders.

Relatively superior PPA with SECI and low counterparty credit risk - The PPA with SECI is relatively superior against the state policy PPAs due to the favourable payment security mechanism with a provision for letter of credit equal to average one-month billing. Moreover, SECI is included in the tripartite agreement (TPA) with the Government of India, the Reserve Bank of India and the state government, providing strong comfort against the payment delays by the discoms. Further, the additional provisions in the PPA/power supply agreements (PSAs) related to compensation in case of grid curtailment or backdown and the termination liability offer comfort. This, along with the superior tariff competitiveness of the project, mitigates the counterparty credit risk for the company.

Credit challenges

Limited track record of operations - The solar power plant under MSEPL has a limited track record as it commenced operations at full capacity from March 2024 onwards. Notwithstanding this, the plant's performance has remained satisfactory, indicated by a plant availability of 99.5% and grid availability 99.8% in 4M FY2025. The average PLF was 20.5% in 4M FY2025 against the P-90 PLF of 24.57% for the AC capacity.

Single-asset operations; sensitivity of debt metrics to energy generation - The debt metrics of the company remain sensitive to generation from the 300-MW solar power project, considering the single part nature of the tariff under the PPA. Hence, any adverse variation in weather conditions and/or turbine performance may impact PLF and consequently the cash flows and the debt coverage metrics. The geographic concentration of the asset amplifies the generation risk. The ability of the company to achieve and maintain the appraised P-90 estimate remains a key factor from a credit perspective.

Exposure to interest rate risk - The capital structure of the company is leveraged, evident from the debt-funded capex deployed for setting up the project. Therefore, the debt coverage metrics remain exposed to the interest rate movement, given the fixed tariff under the PPA.

Regulatory risk associated with implementation of scheduling and forecasting framework - The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the variable nature of solar power generation.

Liquidity position: Adequate

The liquidity position of MSEPL is expected to remain adequate. The company is expected to generate cash flows from operations of over Rs. 53.5 crore against annual debt repayments of Rs. 36.97-39.75 crore over FY2025-FY2026. Additionally, the company has created a DSRA of Rs. 27.64 crore in the form of fixed deposits covering three months' interest, which is in line with the sanction terms. A full amount of the DSRA corresponding to six months' debt servicing requirements (interest + principal; ~Rs. 70 crore) is to be created within 12 months from the COD through the project cash flows.

Rating sensitivities

Positive factors – ICRA could upgrade MSEPL's rating if the project demonstrates consistent power generation above the P-90 level while receiving timely collections from the offtaker on a sustained basis.

Negative factors – Pressure on the ratings could arise if the actual PLF remains below the P-90 level on a sustained basis or if there are delays in payments from the offtaker on a sustained basis. A specific credit metric for downgrade will be the cumulative DSCR falling below 1.15 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Solar
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

MSEPL, incorporated in March 2019, is a special purpose vehicle (SPV) promoted by the ACEN Group (Ayala group power platform) and the UPC Group through their joint venture in Masaya Solar Holdco HK Ltd. The ACEN Group holds a majority stake (75.5%) in MSEPL. The company has developed a 300-MW (AC) solar power project in the Khandwa district of Madhya Pradesh, which was commissioned at full capacity in March 2024. MSEPL has signed a long-term PPA (25-years) with SECI at a bid tariff rate of Rs. 2.71 per unit.

Key financial indicators (audited)

Standalone	FY2023	FY2024*
Operating income	0.00	74.31
PAT	0.30	(56.75)
OPBDIT/OI	-	68.67%
PAT/OI	-	(76.37%)
Total outside liabilities/Tangible net worth (times)	16.84	40.17
Total debt/OPBDIT (times)	-4285.54	35.66
Interest coverage (times)	-157.03	0.84

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs Crore)	Aug 28, 2024	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	1250.00	**[ICRA]BBB+ (Positive)**	May 24, 2023	**[ICRA]BBB+ (Stable)**	-	-	-	-
				Apr 13, 2023	**[ICRA]BBB+ (Stable)**	-	-	-	-
Non-fund based limit	Short term	100.00	**[ICRA]A2**	May 24, 2023	**[ICRA]A2**	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Short term – Non-fund based limit	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	Term loan	FY2023	-	FY2044	1250.00	[ICRA]BBB+ (Positive)
NA	CEL/Derivatives limit	-	-	-	100.00	[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 – 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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