September 30, 2024

Sunbarn Renewables Private Limited: Rating upgraded to [ICRA]A- (Stable); rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	65.99	84.39	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Stable) and assigned for enhanced amount
Total	**65.99**	**84.39**	

**Instrument details are provided in Annexure-I*

Rationale

The rating upgrade for Sunbarn Renewables Private Limited (SRPL) considers the healthy generation performance of the 30.5 MW solar power asset above the P90 estimate since commissioning for 6.5 MW in April 2021, 18.0 MW in September 2021 and 6.0 MW in March 2023. The healthy generation performance is expected to lead to an improvement in debt coverage metrics, going forward. Further, the rating favourably factors in the long-term power purchase agreement (PPA) signed by SRPL with CIE Automotive India Limited (CAIL) (erstwhile Mahindra CIE Automotive Limited), at a fixed tariff under the captive mode, thereby limiting the demand and pricing risks for its 30.5-MW solar power capacity. The tariff offered under the PPAs are highly competitive in relation to the grid tariff for this customer and the PPAs would enable the customer to meet its sustainability goals. Further, the rating draws comfort from the strong credit profile of MCIEAL, which is expected to lead to timely realisation of payments for the company.

The rating continues to factor in the strengths arising from the company's parentage, being a part of the Cleantech Solar Group, which has reputed sponsors like Keppel Corporation and Shell Plc, along with an experienced management, established track record in developing solar power projects and a diversified solar project portfolio of ~1,082 MW tied up with large commercial & industrial customers. There are cross-default linkages among the various special purpose vehicles (SPVs) of the Group in India, held by Cleantech India OA Pte. Ltd. (CIOA) under the co-obligor structure of the project debt financing.

However, the rating is constrained by the vulnerability of the cash flows and debt coverage metrics of the solar power project to the generation performance, given the single-part tariff under the PPAs. Any adverse variation in weather conditions or equipment performance or inability to ensure adequate O&M practices for the solar assets would impact the generation and consequently the cash flows. A demonstration of generation performance in line or above the appraised estimate on a sustained basis remains a key monitorable.

ICRA notes that the termination payments under the PPAs do not cover the entire debt outstanding. Nonetheless, comfort can be drawn from the competitive tariffs offered by the company and the Group's track record in securing PPAs with large industrial and commercial customers. ICRA also takes note of the sensitivity of the debt coverage metrics to the movement in interest rates, considering the leveraged capital structure and fixed tariffs under the PPAs. Further, the company remains exposed to regulatory risks associated with forecasting & scheduling regulations, norms for captive projects and open access charges. While the open access charges are to be paid by the customer under the PPAs, any significant increase in these charges would impact the competitiveness of the tariffs.

The Stable outlook assigned to the long-term rating of SRPL factors in the steady cash flow visibility, aided by the long-term PPA and the timely cash collections expected from the customer.

Key rating drivers and their description

Credit strengths

Strengths by virtue of being part of Cleantech Solar Group – SRPL is part of the Cleantech Solar Group, which in turn is promoted by the Keppel consortium and Shell Plc. The platform benefits from a diversified portfolio of ~1,082 MW across seven countries in South Asia and the presence of strong shareholders, who are focused on growing their renewable energy portfolio. SRPL is expected to benefit from the strengths of the Group, given the cross-default linkages with the parent, Cleantech India OA Pte. Ltd. (CIOA), and other group SPVs.

Low offtake risk with presence of long-term PPA with an industrial customer at a highly competitive tariff – The solar project under SRPL has tied-up a long-term PPAs with CAIL under the captive mode at a fixed tariff, thereby limiting the demand and pricing risks. The PPAs include a provision for termination payments which covers for a certain portion of the debt. Further, comfort is drawn from the competitive tariffs offered by the project to the customer against the grid tariff rates. Moreover, the PPA would enable the customer to meet its renewable purchase obligations.

Strong credit profile of customer – The presence of a strong counterparty, like CAIL (rated [ICRA]AA (Stable)/[ICRA]A1+), is expected to result in timely payments, as demonstrated so far.

Healthy performance resulting in improved debt coverage metrics – SRPL's debt coverage metrics are expected to improve against ICRA's earlier estimates following the demonstration of healthy the generation performance above the appraised P90 estimates. This along with availability of long-term PPAs at a fixed rate, and the long tenure of the debt support the debt metrics. Also, the liquidity profile of the company is supported by a DSRA equivalent to two quarters, created upfront from the project cost.

Credit challenges

Vulnerability of cash flows to solar radiation – Given the single-part tariff under the PPA, the revenues and cash flows of the solar power project under SRPL remain vulnerable to the actual generation, which in turn is exposed to the variability in solar radiation. This risk is amplified by the geographic concentration of the asset. While comfort is drawn from the performance so far, a demonstration of generation in line with the appraised estimate on a sustained basis remains a key monitorable.

Exposed to interest rate risk – The interest rates on the term loans availed by the company for its project is floating and subject to regular resets. Given the fixed tariffs under the PPAs and the leveraged capital structure, the debt coverage metrics remain exposed to the movements in interest rates, as seen in the recent past.

Regulatory risks – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects. Also, the project is exposed to any revision in regulations for captive projects and open access charges, which could impact the competitiveness of the tariff offered.

Liquidity position: Adequate

The liquidity position of SRPL is expected to be adequate, with sufficient buffer between the cash flow from operations and the debt repayment obligation. Moreover, the presence of two-quarter DSRA and timely payments from the customer is expected to support the liquidity profile. The company had cash and liquid investments of Rs. 15.68 crore as on June 17, 2024, including DSRA of Rs. 7.04 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company is able to demonstrate a generation performance in line or higher than the appraised estimate along with timely payments from the customer, leading to healthy credit metrics. Also, the rating would remain sensitive to the credit profile of its parent, CIOA.

Negative factors – Pressure on the rating could arise if the generation performance of SRPL remains below the appraised estimate on a sustained basis, adversely impacting the debt coverage metrics. Also, delays in payments from the counterparty adversely impacting the liquidity profile of the company would be a negative trigger. Further, the rating would remain sensitive to the credit profile of its parent, CIOA. A specific credit metric for downgrade is the cumulative DSCR on the project debt falling below 1.15x.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Solar
Parent/Group support	The rating assigned to SRPL factors in the implicit support from holding company, CIOA, with support expected to be forthcoming in case of any cash flow mismatch, given the cross-default linkages with CIOA and other SPVs of the Group
Consolidation/Standalone	Standalone

About the company

SRPL is a subsidiary of CIOA, Singapore, wherein CIOA holds a 73.87% stake and the 26.12% stake is held by the sole customer, CIE Automotive India Limited (erstwhile Mahindra CIE Automotive Limited). CIOA is a 100% subsidiary of Cleantech Solar Asia Pte. Ltd. (CSA), which in turn is 75.5% owned by the Keppel consortium and 24.5% by Shell. CSA has a solar power portfolio of ~1,082 MW across India, Thailand, Malaysia, Cambodia, Indonesia, Vietnam and Singapore.

SRPL owns and operates 30.5-MW (DC Capacity) solar power assets in the Beed and Latur districts of Maharashtra. The company has signed 25-year long-term PPAs with Mahindra CIE Automotive Limited. The 24.5-MW (DC Capacity) was fully commissioned on September 04, 2021 and the 6-MW (DC Capacity) became operational on March 07, 2023. As required under the group captive regulations, the customer has subscribed to the shareholding of the company.

Key financial indicators (audited)

Standalone	CY2021	CY2022	15M FY2024*
Operating income	5.0	12.6	20.2
PAT	(0.1)	(0.5)	1.3
OPBDIT/OI	70.3%	81.6%	84.4%
PAT/OI	-1.5%	-3.7%	6.2%
Total outside liabilities/Tangible net worth (times)	3.3	2.8	2.1
Total debt/OPBDIT (times)	19.4	6.9	5.7
Interest coverage (times)	1.5	1.4	1.6

*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*

Note: The company shifted its financial reporting from calendar year to financial year in the latest completed fiscal year. As a result, the company is reporting 15M financials for FY2024.

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)	Sep 30, 2024	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	84.39	[ICRA]A- (Stable)	30-Jun-23	[ICRA]BBB+ (Stable)	06-Jun-22	[ICRA]A-(CE) (Stable)	-	-
						23-Sep-22	[ICRA]BBB+ (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**	Nov 2021	NA	FY2037	65.99	[ICRA]A- (Stable)
NA	**Term loan**	Jan 2023	NA	FY2042	18.40	[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

ANALYST CONTACTS

Girishkumar Kashiram Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Sumit Jhunjhunwala
+91 33 7150 1111
sumit.jhunjhunwala@icraindia.com

Prerna Aggarwal
+91 124 4545 380
prerna.aggarwal1@icraindia.com

Soumya Satapathy
+91 33 7150 1110
soumya.satapathy@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches