November 11, 2024

CSE Solar Parks Satna Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	63.71	63.71	[ICRA]A- (Stable); reaffirmed
Total	**63.71**	**63.71**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for CSE Solar Sunpark Satna Private Limited (CSPSPL) factors in the strengths arising from the company's parentage as it is 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 and operating solar power projects and a diversified solar project portfolio of over ~1082 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.

The rating favourably factors in the long-term power purchase agreements (PPAs) signed by CSPSPL with Prism Johnson Limited (PJL) at fixed tariffs under the captive mode, thereby limiting the demand and pricing risks for its 30.24-MW solar power capacity. The tariffs offered under the PPAs is 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 comfortable credit profile of PJL, which is expected to lead to timely realisation of payments for the company. Going forward, the company's debt metrics are expected to remain adequate, supported by the PPAs at fixed tariff rates, satisfactory generation performance and the long tenure of the project debt. Also, comfort is drawn from the presence of a debt service reserve account (DSRA) equivalent to two quarters of debt servicing.

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. While the generation performance of the solar power capacity under CSPSPL remained below the P-90 estimate in CY2021, the performance has improved since April 2022, remaining above the P-90 estimate. Achieving a generation performance in line or above the appraised estimate on a sustained basis remains a key monitorable.

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 the risks associated with regulations for captive projects.

The Stable outlook assigned to the long-term rating of CSPSPL factors in the steady cash flow visibility, aided by the long-term PPAs, satisfactory generation performance and timely cash collections expected from the customer.

Key rating drivers and their description

Credit strengths

Strengths of being part of Cleantech Solar Group – CSPSPL 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 over ~1082 MW across seven countries in South Asia and the presence of strong shareholders, who are focused on growing their renewable energy portfolio. CSPSPL is expected to receive support from the Group in case of any exigency, given the cross-default linkages with the parent, CIOA and other group SPVs under the co-obligor structure.

Low offtake risk due to long-term PPAs with an industrial customer at highly competitive tariff - The solar projects under CSPSPL have tied up long-term PPAs with PJL under the captive mode at fixed tariffs, thereby limiting the demand and pricing risks. The PPAs includes a provision for termination payments which cover for the outstanding debt under the SPV. Further, comfort is drawn from the competitive tariffs offered by the project to the customer against the grid tariff rates. Moreover, the PPAs would enable the customer to meet its renewable purchase obligations.

Strong credit profile of customer – CSPSPL has tied up PPAs with Prism Johnson Limited. The comfortable credit profile of the customer is expected to result in timely payments, as demonstrated so far.

Adequate debt coverage metrics and liquidity profile – CSPSPL's debt coverage metrics are expected to be adequate, supported by PPAs at attractive rates, satisfactory generation performance and the long tenure of the debt. Also, the liquidity profile of the company is supported by the presence of DSRA equivalent to two quarters, created upfront from the project cost and timely payments from the customer.

Credit challenges

Vulnerability of cash flows to solar radiation – Given the single-part tariff under the PPAs, the revenues and cash flows of the solar power projects under CSPSPL 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 assets in Madhya Pradesh. While comfort is drawn from the performance so far, a sustained generation in line with the appraised estimate remains a key monitorable.

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

Regulatory risks - The company's operations remain exposed to risks pertaining to revision in policies & regulations for captive projects which could impact the competitiveness of the tariff offered. Given that the solar project is onsite captive, the risks associated with forecasting & scheduling and open access charges are not applicable.

Liquidity position: Adequate

The liquidity position of CSPSPL is expected to be adequate, with sufficient buffer between cash flows from operations and debt repayment obligation. Moreover, a 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. 15.85 crore as on September 30, 2024, including DSRA of Rs. 5.63 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 CSPSPL remains below the appraised estimate on a sustained basis, adversely impacting the debt coverage metrics. Also, delay in payments from the counterparty adversely impacting the liquidity profile of the company is 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 CSPSPL 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

CSE Solar Parks Satna Private Limited (CSPSPL) is a subsidiary of CIOA, Singapore, wherein CIOA holds a 72.04% stake and the remaining 27.95% is held by the sole offtaker, Prism Johnson 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.

CSPSPL owns and operates 30.24-MW (DC capacity) solar power assets in Madhya Pradesh. The 15.33-MW first phase of the solar project was fully commissioned on January 11, 2021, while the second phase with 14.91-MW capacity was fully commissioned on April 30, 2021. The company has signed a 25-year long-term PPA with Prism Johnson Limited. As required under the group captive regulations, the customer has subscribed to the shareholding of the company. These projects are onsite captive and are located on the customer premises.

Key financial indicators (audited)

Standalone	CY2022	15M FY2024*
Operating income	15.1	17.5
PAT	0.2	0.8
OPBDIT/OI	83.9%	81.6%
PAT/OI	1.3%	4.6%
Total outside liabilities/Tangible net worth (times)	2.9	1.7
Total debt/OPBDIT (times)	5.6	5.2
Interest coverage (times)	1.6	1.7

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

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)	Nov 11, 2024	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	63.71	[ICRA]A- (Stable)	20-Oct-23	[ICRA]A- (Stable)	20-Dec-22	[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 loans**	December 2020	NA	FY2036	63.71	[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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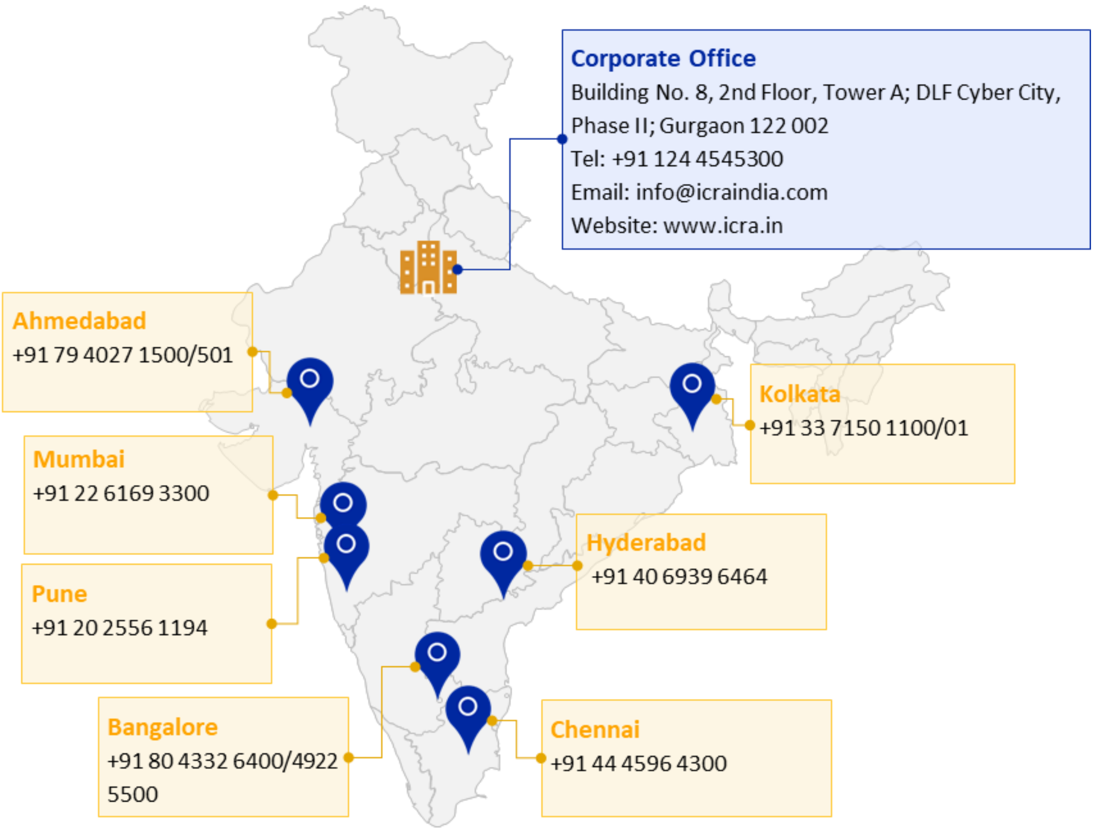

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