December 18, 2024

FP Samruddi Private Limited: [ICRA]A- (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	239.00	[ICRA A- (Stable); assigned
Total	**239.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating factors in the high revenue visibility and low offtake risk for the 50 MW (AC)/75 MW (DC) solar power project of FP Samruddi Private Limited (FPSPL) because of the long-term (25 years) power purchase agreements (PPA) with reputed commercial & industrial customers (C&I) with strong credit profiles for the entire capacity at an average fixed tariff of ~Rs. 3.3 per unit. Further, the project is being developed under the group captive norms and the tariff competitiveness of the project remains superior with the company offering significant discount to the offtakers compared to the prevailing grid tariff.

The rating further derives comfort from the presence of an experienced sponsor in the form of Blupine Energy Private Limited (BEPL) which is held by Actis PE (Actis) through its Actis Energy-5 fund. Actis is a UK-based private equity firm with investments in India, China, Africa and Southeast Asia. In India, it has efficiently managed renewable investment platforms like Ostro Energy and Sprng Energy in the past.

Post commissioning, the debt coverage metrics are expected to be adequate with the cumulative debt service coverage ratio (DSCR) over 1.2x over the debt tenure, supported by the long-term PPAs, the long tenure of the debt and competitive interest rates. Also, the liquidity profile of the company, post commissioning, is expected to be supported by the presence of a debt service reserve account (DSRA) and expectation of timely payments from the customers.

The rating is, however, constrained by the execution risks given the under-construction status of the project. Nonetheless, comfort is drawn from the availability of the required land and the advance progress made in the construction of transmission line, pooling substation and module installation. The project is expected to be operational by the scheduled commercial operational date (COD) of March 2025. The company's revenues and cash flows would remain sensitive to the variation in weather conditions and seasonality, post commissioning, because of the single-part fixed tariff under the PPA. Additionally, the company remains exposed to asset concentration risk, as the entire capacity is located at a single site in Chhattisgarh. Hence, the ability of the project to achieve the design P-90 PLF, post commissioning, on a sustained basis remains crucial from a credit perspective.

Further, the project credit metrics would remain exposed to the movement in interest rates, given the fixed tariff under the PPA, floating interest rates and a leveraged capital structure with the project cost being funded through a debt to equity of 75:25. Further, the company's operations remain exposed to the regulatory risk associated with any change in forecasting & scheduling regulations, captive project norms and open access charges. Any significant increase in the open access charges or imposition of new charges would impact the competitiveness of the tariff offered under the PPAs.

The Stable outlook assigned to the long-term rating of the company factors in the expected timely commissioning of the project without any cost overruns, supported by the long-term PPA with strong counterparties thereby providing revenue visibility, post commissioning.

Key rating drivers and their description

Credit strengths

Experienced sponsor with a demonstrated track record in developing and operating renewable assets - FPSPL is ultimately held by Actis PE (Actis) through BEPL, which has committed an investment of $800 million in India for the development of around 4 GW of renewable power projects through its energy fund (Actis Energy-5). Actis is a UK-based private equity firm with investments in India, China, Africa and Southeast Asia. The investments by Actis are spread across diverse sectors, such as real estate, long life infrastructure, energy infrastructure, digital infrastructure, etc. In India, it has efficiently managed renewable energy platforms like Ostro Energy (1.1 GW) and Sprng Energy (2.4 GW) in the past. At present, BEPL has an operational capacity of around ~964 MWac and under-development capacity of 1.8 GW, which is expected to be commissioned by FY2026/FY2027.

Revenue visibility from long term PPAs with strong counterparties at competitive tariff rate - FPSPL has signed long-term (25 years) power purchase agreements (PPAs) with reputed C&I customers, with strong credit profiles, under the captive mode for the entire capacity at an average fixed tariff of ~Rs. 3.3 per unit, providing high revenue visibility and ensuring low offtake risk for project. The PPA tariff offered by the company is at a discount to the state grid tariff rates, which would result in savings for the customers.

Adequate debt coverage metrics and liquidity profile - Post commissioning, FPSPL's debt coverage metrics are expected to be adequate with the cumulative DSCR expected over 1.2x over the debt tenure, supported by the availability of long-term PPA, the long tenure of the debt and competitive interest rates. The liquidity profile of the company, post commissioning is expected to be supported by the presence of a DSRA over the tenure of the term loan. Additionally, BEPL is expected to extend funding support in case of any debt-servicing requirement.

Credit challenges

Project execution risk - The project is exposed to execution risks given its under-construction status. Nonetheless, comfort is drawn from the availability of the required land, and the advance progress made in the construction of transmission line, pooling substation and module installation The company expects to commission the project capacity by March 2025. Going forward, a timely commissioning of the entire project capacity and stabilisation of the operations post commissioning remain the key monitorables.

Debt metrics of solar projects sensitive to PLF levels - The company's revenues and cash flows would remain sensitive to the variation in weather conditions and seasonality, post commissioning, because of the single-part fixed tariff under the PPA. Any adverse variation in weather conditions and/or module performance may impact the power generation and consequently the cash flows. The geographic concentration of the asset amplifies the generation risk. Therefore, the ability of the project to achieve the design P-90 PLF, post commissioning, on a sustained basis remains crucial.

Exposed to interest rate risks - The company's debt coverage metrics remain exposed to any movement in interest rate as the floating interest rates are subject to regular resets, and a leveraged capital structure.

Regulatory risks - The company's operations remain exposed to regulatory risks pertaining to the scheduling and forecasting requirements applicable for solar power projects, given the variable nature of solar power generation. Also, the company remains exposed to regulations related to captive power projects and the adverse variation in open access charges, which could impact the competitiveness of the tariff offered.

Liquidity position: Adequate

The liquidity position of the company is supported by the debt tied up for the project and majority of the equity/promoter contribution infused as on November 30, 2024. The promoters (including offtakers) have infused ~Rs. 61.5 crore as on

November 30, 2024, against ~Rs. 80-crore requirement. Further, the parent is expected to bring in additional funds in case of any cost overrun[1]. Post commissioning, the liquidity of the company is expected to be supported by the presence of a two-quarter DSRA, with one quarter being funded upfront. Moreover, the company is expected to generate adequate cash flow from operations against a debt repayment (interest plus principal) obligation of ~Rs. 29 crore in FY2026.

Rating sensitivities

Positive factors – ICRA could upgrade the company's rating if the project achieves timely commissioning without any cost overruns, along with the demonstration of generation performance in line or above the P-90 estimates, post commissioning, resulting in comfortable debt coverage metrics. Further, ICRA could upgrade the company's rating if the credit profile of the parent improves.

Negative factors – The rating could be downgraded if there are significant delays in commissioning the project, resulting in cost overruns, or if the generation performance remains below the P-90 level, post commissioning, adversely impacting the debt coverage metrics. A specific credit metric for downgrade is the cumulative DSCR falling below 1.15 times on a sustained basis. The rating could also be revised downwards if the credit profile of the parent weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	The rating is based on the implicit support from the parent company, Blupine Energy Private Limited
Consolidation/Standalone	The rating is based on the standalone financials of the company.

About the company

FPSPL is a special purpose vehicle (SPV) promoted by Blupine Energy Private Limited (BEPL) for setting up a 50 MWac solar power project (75MW DC), on a captive basis, in the Mungeli district of Chhattisgarh. The SPV has signed a 25-year PPA with reputed customers with strong credit profiles for the power offtake.

Key financial indicators (audited) – Not meaningful as project is under construction

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[1] Upto 20% of the project cost.

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Dec 18,2024	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long term	239.00	[ICRA]A- (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loans	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***	FY2025	-	FY2045	239.00	[ICRA]A- (Stable)

*Source: Company; *75% sub-limit towards non-fund based facility*

[*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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