January 23, 2025

Sunlock Solar Private Limited: [ICRA]BBB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund-based – Term Loans	131.00	[ICRA]BBB+ (Stable); assigned
Total	**131.00**	

Instrument details are provided in Annexure-I

Rationale

The proposed rating for Sunlock Solar Private Limited (SLSPL) factors 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, an experienced management, established track record in developing solar power projects and a diversified solar project portfolio of ~1081 MW tied up with large commercial & industrial customers. SSPL is expected to benefit from the strengths of the Group, given the cross-default linkages with the parent Cleantech Solar India OA 2 Pte. Ltd. (CSIOA2) & other group SPVs.

Further, the rating favourably factors in the long-term power purchase agreement (PPA) signed by SLSPL with Mando Automotive India Private Limited (MAIPL) & HL Mando Anand India Private Limited, at a fixed tariff under the captive mode, thereby limiting the demand and pricing risks for its 32MW solar & wind power capacity. The tariff offered under the PPA is highly competitive in relation to the grid tariff for this customer and the PPA would enable the customer to meet its sustainability goals. Further, the rating draws comfort from the comfortable credit profile of MAIPL, which is expected to lead to timely realisation of payments for the company. Going forward, the debt metrics are expected to remain adequate, supported by the PPA at a fixed tariff rate and the long tenure of the project debt.

The rating is, however, constrained by the execution risks given the under-construction status of the 4.8 MW wind project. Nonetheless, comfort is drawn from the availability of connectivity and the advance progress made in the construction of transmission line. The project is expected to be operational by end 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. 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. 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

The rating also takes note of the risk of cash flow mismatch owing to the lower lock-in period under the PPAs in relation to the debt tenure. Nonetheless, comfort can be drawn from the competitive tariff 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 PPA. Further, the company remains exposed to regulatory risks associated with forecasting & scheduling regulations, regulations for captive projects and open access charges. While the open access charges are to be paid by the customers 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 SLSPL factors in the in the expected timely commissioning of the wind 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

Strengths by virtue of being part of Cleantech Solar Group – SLSPL is part of the Cleantech Solar Group, which in turn is promoted by Keppel Consortium and Shell Plc. The platform benefits from a diversified portfolio of ~1081 MW across seven countries in South Asia and the presence of strong shareholders, who are focused are growing their renewable energy portfolio. SLSPL is expected to benefit from the strengths of the Group, given the cross-default linkages with the parent CSA-2 and other group SPVs.

Low offtake risk with presence of long-term PPA with an industrial customer at highly competitive tariff – The solar & wind power capacity under SLSPL has tied-up a long-term PPA with HL Mando Anand India Private Limited under the captive mode at a fixed tariff, thereby limiting the demand and pricing risks. The PPA includes a provision for termination payments which cover for a certain portion of the debt under the SPVs. Further, comfort is drawn from the competitive tariff 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.

Adequate debt coverage metrics and comfortable liquidity profile – The debt coverage metrics for SLSPL are expected to be adequate, supported by the PPA at a fixed rate and the long tenure of the debt. 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 & wind radiation – Given the single part tariff under the PPA, the revenues and cash flows of the solar power project under SLSPL remain vulnerable to the actual generation, which in turn is exposed to the variability in solar and wind radiation. This risk is amplified by the geographic concentration of the asset. Demonstration of generation in line with or above the appraised estimate on a sustained basis remains a key monitorable.

Execution risks for residual under-construction capacity – Of the 32-MW portfolio, 27.2 MW of solar capacity was commissioned by August 2024, and the balance 4.8 MW is under-construction. Commissioning and stabilisation of this asset in a timely manner remains important from a credit perspective. Any delays in commissioning would impact the cashflow generation and debt coverage metrics. Nonetheless, comfort is drawn from the availability of connectivity and the advance progress made in the construction of transmission line. The company expects to commission the project capacity by March 2025.

Risk of cash flow mismatch owing to lower lock-in period under the PPA in relation to debt tenure – The PPA capacity signed by HL Mando Anand India Private Limited has a lock-in period of 15 years, lower than the debt repayment tenure of ~20 years. Nonetheless comfort can be drawn from significant discount offered by the company to its customers against the grid tariff and track record of the sponsor in securing PPAs with large industrial and commercial customers.

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 reset. Given the fixed tariffs under the PPA and the leveraged capital structure, the debt coverage metrics for the company remained 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 projects are exposed to any revision in policies & regulations for captive projects as well as revision in open access charges, which could impact the competitiveness of the tariff offered.

Liquidity position: Adequate

The liquidity position of SLSPL is expected to be adequate, with sufficient buffer between cash flows from operations and 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. 7.55 crore as on October 31, 2024 including DSRA of Rs. 4.42 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, rating would remain sensitive to the credit profile of other SPVs of the pool and its parent Cleantech Solar Asia 2 Pte. Ltd (CSA -2).

Negative factors – Negative pressure on the rating could arise if the generation performance of SLSPL remains below the appraised estimate on a sustained basis, thereby adversely impacting the debt coverage metrics. Delay in timely commissioning of asset affecting the cash flow generation and liquidity profile. Also, delay in payments from counterparties adversely impacting the liquidity profile of the pool is another negative trigger. Further, the rating would remain sensitive to the deterioration in the credit profile of other SPVs of the pool and its parent Cleantech Solar Asia 2 Pte. Ltd (CSA-2). A specific credit metric for downgrade is cumulative DSCR on the project debt falling below 1.15x.

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 cross-default linkages among a pool of 11 SPVs of the Group - Strongsun Solar Private Limited, Sunflip Solar Private Limited, Sunpound Solar Private Limited, Sunseed Solar Private Limited, Ulric Renewables Private Limited, Sunlock Solar Private Limited, Zonrenew Solar Private Limited, Sunsole Solar Private Limited, Suncloud Solar Private Limited, Sunrange Solar Private Limited, Rihmaze Renewables Private Limited. The rating for the SPV is arrived based on an assessment of the standalone credit profile of the SLSPL. An assessment of the pool's credit profile is being carried out by undertaking a consolidated assessment of the pool of 11 SPVs in view of the linkages among them, and then further notching up the pool rating based on expectations of implicit support from the parent company, CSA-2. The final rating for the bank facilities of SLSPL 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	Standalone

About the company

Incorporated in July 2022, Sunlock Solar Private Limited (SLSPL) is a special purpose vehicle (SPV) promoted by Cleantech India OA 2 Pte. Ltd., Singapore (CSIOA2), which is in turn held by Cleantech Solar Asia 2 Pte Ltd (CSA 2). SLSPL owns and operates both solar and wind power projects - comprising 27.2 MW (Solar) and 4.8 MW (Wind) capacity in Tamil Nadu. The first project was fully commissioned on August 14, 2024 (27.2 MW) and second project is in pre-construction stage and is expected to be commissioned by March/April 2025. The company has signed a 25-year long-term power purchase agreement (PPA) with Mando Automotive India Private Limited & HL Mando Anand India Private Limited for the entire capacity. As required under the group captive regulations, the customer has subscribed to the shareholding of the company.

Key financial indicators (audited)

SSPL Standalone	FY2024
Operating income	0.7
PAT	0.5
OPBDIT/OI	40.9%

PAT/OI	67.3%
Total outside liabilities/Tangible net worth (times)	2.0
Total debt/OPBDIT (times)	-
Interest coverage (times)	-

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

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)**	**Jan 23, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term Loans	Long-term	131.00	[ICRA]BBB+ (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 Loans**	May 08, 2023	NA	FY2042-FY2044	131.00	[ICRA]BBB+ (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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