January 27, 2025

Ulric Renewables Private Limited: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund-based – Term Loans	112.96	[ICRA]BBB (Stable); assigned
Total	**112.96**	

**Instrument details are provided in Annexure-I*

Rationale

The rating for Ulric Renewables Private Limited (URPL) 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 ~1,081 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 Solar India OA 2 Pte. Ltd. (CSIOA2) under the co-obligor structure of the project debt financing.

Further, the rating favourably factors in the long-term power purchase agreements (PPAs) signed by URPL with Exide Industries Limited (EIL) at a fixed tariff under the captive mode, thereby limiting the demand and pricing risks for its 18.9MW 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 EIL, which is expected to lead to timely realisation of payments for the company.

However, the rating is constrained by the vulnerability of the cash flows and debt coverage metrics of the wind power project to the generation performance, given the single part tariff under the PPA. Any adverse variation in weather conditions or equipment performance or inability to ensure adequate O&M practices for the wind assets would impact 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. Also, the timely commissioning and stabilisation of the under-construction capacity of 10.5 MW within revised CoD of February 2025 remains important. While there were delays in project implementation, comfort is drawn from the support available from the sponsor in case of any cashflow mismatch. Given the moderate coverage metrics expected for the project, the ability of URPL to exceed the appraised generation estimate and having a competitive interest rate on the project debt remains important.

The rating also takes note of the inadequate termination payments under the PPA that do not cover for the entire debt outstanding in case of early termination of the PPA. Nonetheless, comfort can be drawn from the competitive tariff offered by the SPV 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 URPL factors in the steady cash flow visibility, aided by the long-term PPA and 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 – URPL 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 ~1,081 MW across seven countries in South Asia and the presence of strong shareholders, who are focused are growing their renewable energy portfolio. URPL 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 wind power capacity under URPL has tied-up a long-term PPA with EIL 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.

Strong credit profile of customer – The presence of a strong counterparty like, EIL, is expected to result in timely payments.

Credit challenges

Vulnerability of cash flows to wind generation – Given the single part tariff under the PPA, the revenues and cash flows of the wind power project under URPL remain vulnerable to the actual generation, which in turn is exposed to the variability in weather conditions affecting wind generation. This risk is amplified by the geographic concentration of the asset. The demonstration of performance in line or above the P-90 estimate remains important to improve the credit metrics and achieve the desired return indicators.

Execution risks for residual under-construction capacity – Of the 18.9-MW portfolio, 8.4 MW was commissioned in phases by January 2025, and the balance 10.5 MW is under-construction with revised scheduled CoD February 2025. 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.

Risk of cash flow mismatch owing to lower lock-in period under PPAs in relation to debt tenure – The PPAs signed by URPL has a lock-in period of 10 years, marginally lower than the debt repayment tenure of ~21.2 years. Further, the termination payments under the PPA do not cover the entire debt outstanding. Nonetheless, comfort can be drawn from the significant discount offered by the company to its customer against the grid tariffs and the 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 URPL 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. 7.21 crore as on October 31, 2024 including DSRA of Rs. 7.17 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 the company remains below the appraised estimate on a sustained basis, thereby adversely impacting the debt coverage metrics. Also, delay in payments from counterparties or delay in timely commissioning of the project affecting the cash flow generation adversely impacting the liquidity profile of the parent and 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).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Solar Rating Methodology for Power - Wind
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 URPL. 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 URPL 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 Jan 2023, Ulric Renewables Private Limited (URPL) 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). SSPL owns and operates two wind power projects - comprising 10.5 MW capacity in Maharashtra, the project is Under Construction and 8.4 MW capacity in Tamil Nadu, which is partially commissioned. The company has signed a 25-year long-term power purchase agreement (PPA) with Exide Industries Limited for the full capacity. As required under the group captive regulations, the customer has subscribed to the shareholding of the company.

Key financial indicators (Audited)

URPL Standalone	FY2024
Operating income	0.0
PAT	0.3
OPBDIT/OI	-
PAT/OI	-
Total outside liabilities/Tangible net worth (times)	0.0
Total debt/OPBDIT (times)	0.0
Interest coverage (times)	-4.2

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 27, 2025	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	112.96	[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 8, 2023	NA	FY2044	112.96	[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

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 1100
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