

February 10, 2025

Radiance MH Solar Power 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	16.50	13.11	[ICRA]A(Stable); Reaffirmed
Total	16.50	13.11	

*Instrument details are provided in Annexure I

Rationale

In line with ICRA's revised methodology on rating co-obligor structures having a defined mechanism for sharing of surplus cash flows prior to due date of debt servicing among the cash pooling Special Purpose Vehicles (SPVs), the rating approach for Radiance KA Sunrise One Private Limited (KA1), Radiance KA Sunrise Two Private Limited (KA2) and Radiance MH Solar Power Private Limited (MH), collectively referred as 'Pool,' has been changed to the consolidated view of the three cash pooling SPVs as against the earlier approach of uplifted unsupported standalone rating of an SPV after factoring in the implicit support of the consolidated credit profile of the co-obligor pool.

The rating action considers the satisfactory track record of operations of the Pool, and the financial flexibility & managerial/operational linkages derived from its parent, Radiance Renewables Private Limited (RRPL), which is backed by Green Growth Equity Fund (GGEF). The National Investment and Infrastructure Fund (NIIF) and the Department of International Development (DFID), Government of UK, are the anchor investors in GGEF. On the operating front, while, the generation levels remained satisfactory in FY2023 and FY2024, however, the blended plant load factor (PLF) of the Pool had temporarily moderated to 16.59% in 8MFY2025 from 17.87% in FY2024. This was mainly due to module degradation and an extended monsoon in Karnataka & Maharashtra in the current fiscal. ICRA expects the Pool's PLF to inch up to the P-90 PLF of 17.46% in the near to medium term.

The rating also favourably factors the group captive status of SPVs in the pool, where the Offtaker is exempted from the payment of cross-subsidy surcharge (CSS) and additional surcharge (AS), which makes the landed tariff for the project for the Offtaker highly competitive against the grid tariff. Also, ICRA takes note of the pool's geographic diversification of 20MWp capacity in Karnataka and Maharashtra and landed cost of PPA tariffs remain significantly lower than landed cost of grid tariff of C&I consumers in respective states translating into superior tariff competitiveness.

The rating is, however, constrained by the exposure to climatic risks with the performance of the projects being susceptible to the weather, which is an uncontrollable factor, and any adverse climate changes shall directly impact the power generation and the cash flows of the SPV & the pool. Further, the Pool remains exposed to tariff renewal risks, as the PPA lock-in period is shorter than the debt tenure, exposing it to the possibility of cash flow mismatches. ICRA also takes note that SPV & Pool are not only exposed to interest rate/ duration risk as the tariff under the PPAs is fixed, but also industry specific risks like changes in transmission/wheeling charges or losses, or any other regulations that may impact on the landed cost of electricity for the group captive consumers.

The operations & maintenance expenses incurred in FY2024 & 9MFY2025 remained above the budgeted rates for the pool mainly towards requisite improvements in the fixtures of installed equipment and transmission infrastructure. While the contracts have been re-negotiated, ICRA expects these expenses to moderate and inch closer to the contracted rates from H2FY2026. In the interim period, ICRA understands that RRPL would bring in funding support in the form of inter-corporate

deposits/unsecured loans towards any incremental expenditure over the budgeted targets to ensure timely debt servicing of pool and compliance with lender's financial covenants¹.

The Stable outlook on the rating reflects ICRA's expectations that following the corrective measures taken towards O&M of solar assets, generation performance is likely to improve FY2026 onwards, which along with the reduction in future O&M expenses is expected to keep the cumulative DSCR of the co-obligor pool at a comfortable level of ~1.20x over the tenure of the debt.

Key rating drivers and their description

Credit strengths

Strong parentage of Radiance Renewables Private Limited, lending financial flexibility and managerial support; access to cash surplus from cash pooling mechanism with KA2 & MH – KA1 is a subsidiary of RRPL, which is the holding company of the Radiance Group (installed capacity of over 500 MW) and is backed by GGEF. GGEF counts NIIF and DFID, UK Government, among its anchor investors. GGEF is managed by EverSource Capital, which is a joint venture of EverStone Capital and Lightsource BP. The management of the Radiance Group has experience in setting up renewable power projects in India. GGEF has capital commitments from anchor investors for investing in RRPL, apart from Ayana Renewables, Green Cell Mobility and other platform companies. Further, the company benefits from being part of a cash pooling mechanism and having cross-default linkages with another SPV of the Group, wherein surplus cash from either of the SPVs can be used to meet the shortfall in debt servicing for the other SPV. This pool has three solar power assets aggregating to 20 MWp, distributed in Karnataka and Maharashtra.

Long-term PPAs with group captive consumers mitigate offtake and price risks - All the three projects are backed by 25-year PPAs with well-established offtakers. The PPAs have a lock-in period of 15 years with a fixed one-part tariff, mitigating the price risk for the projects. The offtake risk for the projects remains low as the entire capacity is covered under the minimum offtake guarantee (MOG). Moreover, with operations in group-captive mode, the projects offer tariffs that are highly appealing and competitive compared to grid tariffs. This leads to cost savings and helps meet the energy efficiency goals of the Offtakers.

Low counterparty risk led by satisfactory credit quality of counterparties and timely payments translate into low receivable days - The counterparty risk remains low, given the satisfactory credit risk profile of the offtakers that is evident from the financial profile of these entities and the timely payments from them. The payments are being received within 2-3 weeks of raising the invoices.

Credit challenges

Risk of cash flow mismatch from shorter PPA lock-in period against debt tenure - The track record of the company and the pool collectively is ~3 years. The performance of the plant and the pool has been stable, largely in line with the P-90 levels, since the commissioning of the project during FY2023 and FY2024. The PPAs have a lock-in period of 15 years (residual lock-in period of ~12 years) against a debt tenure of ~16 years, resulting in PPA renewal risks and the associated risk of cash flow mismatch. On the other hand, comfort can be drawn from the competitive tariffs offered by the company, demonstrated track record of Sponsor, RRPL, in securing PPAs with major C&I clients, and notice period at the end of lock-in period ensures sufficient cushion in time to re-negotiate or replace customers.

Cash flows exposed to risk of irradiance levels and interest rate environment - Power production and cash flow generation for solar power projects depend on irradiance levels and weather-related factors that are beyond company's/Pool's control, thereby, given the fixed-part nature of tariff and lower-than-expected irradiance levels could challenge cash flows. Cash flows

¹ Financial covenant includes minimum DSCR of 1.1x at SPV level and 1.15x at Pool level

are also affected by variable interest rates on loans, which reset every five years, exposing cash generation to interest rate fluctuations. The company's debt servicing ability may be impacted unless performance exceeds base-case production levels.

Unfavourable changes in regulations may pose risks to cash flows - The solar power project has been set up under the group captive model wherein the power produced by the company and the pool is exempt from the levy of cross-subsidy surcharge/additional surcharge. These exemptions make the current landed tariff for the Offtaker competitive against the grid tariff. However, the tariff remains exposed to industry specific risks associated with regulatory changes, which may result in such charges being levied in the future. While the provisions of the PPA ensure pass-through of the levy of such charges to the Offtaker, the competitiveness of the project's tariff vis-vis the grid tariff will moderate, the company's ability to form up a cost-reflective tariff at the end of the lock-in period (March 2037) will remain a key monitorable from credit perspective.

Liquidity position: Adequate

The liquidity position of pool one remains adequate with DSRA of two-quarters debt obligations in place (Rs.4.25 crore in form of fixed deposits) and an unencumbered cash & bank balance of Rs.0.88 as on December 06, 2024. The pool's free cash flows in FY2025/ FY2026 are expected to remain adequate to meet its annual debt servicing requirements ranging at Rs. 2.8-3 crore, as the generation is likely to inch up near the P-90 levels following the completion of one-time O&M activities. ICRA expects RRPL to support the pool in case of any shortfall in debt servicing by providing funds which are unsecured and subordinated to external borrowing programme.

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 customers, leading to healthy credit metrics. An improvement in the credit profile of the parent, Radiance Renewables Private Limited, will also support an upgrade.

Negative factors – Pressure on the rating could arise if the actual PLF remains lower than the P-90 PLF on a sustained basis leading to cumulative DSCR falling below 1.20x. Further, any significant delays in receiving payments from the offtakers adversely impacting the company's liquidity profile would be a negative factor. The rating could also be revised downwards if the linkages with the parent weaken, and/or the credit profile of its parent i.e., Radiance Renewables Private Limited, deteriorates.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology on Power-Solar
Parent/Group support	The rating factors in implicit support from the parent, Radiance Renewables Private Limited, given the business linkages, strategic importance and the willingness shown by the parent to support the pool/SPVs.
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of the entity

About Radiance MH Solar Power Private Limited

Radiance MH Solar Power Private Limited (MH Solar) is a subsidiary of Radiance Renewables Private Limited {RRPL, rated [ICRA]A (Positive)/[ICRA]A2+}, which is the holding company of the Radiance Group and is backed by Green Growth Equity Fund (GGEF). GGEF has NIIF and DFID, UK Government, as its anchor investors. GGEF is managed by EverSource Capital which is 50:50 joint venture of EverStone Capital and Lighthouse BP.

MH Solar has setup a 4.2MWp (DC)/3.0 MW AC ground-mounted solar power project in Maharashtra under the group captive mode. The project was Commissioned in October 2021. A long-term PPA has been signed with Sahyadri Hospitals Private Limited (SHPL) with a tenure of 25 years and a lock-in of 25 years. RRPL holds a 74% stake, while SHPL held the remaining 26% in MH Solar as on March 31, 2024.

About the cash pooling structure

Under the cash pooling portfolio, there are 3 SPVs –Radiance KA Sunrise One Private Limited (KA1), Radiance KA Sunrise Two Private Limited (KA2) and Radiance MH Solar Power Private Limited (MH). The Cash pooling SPVs are part of the Radiance Group, which is present in the solar sector in India and is backed by Green Growth Equity Fund (GGEF). GGEF has NIIF and DFID, UK Government, as its anchor investors. GGEF is managed by EverSource Capital, which is 50:50 joint venture of EverStone Capital and Lighthouse BP.

Key financial indicators (audited)

Consolidated – KA1, KA2 & MH Cash Pooling	FY2023	FY2024
Operating income	11.2	11.2
PAT	-1.1	-2.0
OPBDIT/OI	77.0%	78.2%
PAT/OI	-10.0%	-18.3%
Total outside liabilities/Tangible net worth (times)	3.5	3.8
Total debt/OPBDIT (times)	7.9	7.4
Interest coverage (times)	1.3	1.1

Source: 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

MH Solar(Standalone)	FY2023	FY2024
Operating income	2.9	2.9
PAT	-0.2	-0.4
OPBDIT/OI	73.8%	78.5%
PAT/OI	-7.7%	-12.9%
Total outside liabilities/Tangible net worth (times)	3.3	3.4
Total debt/OPBDIT (times)	7.6	6.9
Interest coverage (times)	1.4	1.1

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

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Feb 10, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	13.11	[ICRA]A (Stable)	Jan 03, 2024	[ICRA]A (Stable)	Nov 16, 2022	[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 loan	June 2023	NA	FY2038	13.11	[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

Company Name	Consolidation approach
Radiance KA Sunrise one Solar Private Limited	Full consolidation
Radiance KA Sunrise two Private Limited	Full consolidation
Radiance MH Solar Private Limited	Full consolidation

Note: ICRA has taken a consolidated view of the companies mentioned above.

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