

February 13, 2025

Flexirural Urja Jalgaon Limited: [ICRA]A+ (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	78.40	[ICRA]A+ (Stable); Assigned
Total	78.40	

*Instrument details are provided in Annexure I

Rationale

In line with ICRA's 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), a consolidated rating view for the eight SPVs namely, Dakshin Odisha Urja Pvt Ltd, Vento Power & Energy Ltd, UP Mehrauni I Urja Pvt Ltd, UP Mehrauni II Urja Pvt Ltd, UP Koraun Urja Pvt Ltd, UP Sarila Urja Pvt Ltd, MH Parbhani Power Pvt Ltd and Flexirural Urja Jalgaon Ltd, collectively referred as 'Pool,' has been considered by ICRA.

The rating assigned to the bank facilities of the Pool factors in the 25-year long-term power purchase agreement (PPA) for the entire capacity with a strong counterparty i.e. Solar Energy Corporation of India (SECI, rated [ICRA]AAA (Stable)), at a fixed attractive tariff. ICRA notes that the payments from SECI have been in a timely manner historically, and the SPVs also have an option to opt for early realisation of bills by providing a rebate of 1%-2% to SECI, which provides high visibility to cashflows, going forward.

The rating also factors in the change in ownership to Onward Solar Power Private Limited (OSPPL, holding company) in June 2023 and the various measures taken by it to improve the power generating infrastructure and operational efficiency, thus leading to an improvement in overall performance of all the eight SPVs. The total AC capacity of all the eight SPVs is 300 MW comprising of PV based solar power generation assets. Following the change in ownership, the new management has done the DC upsizing of all the 8 plants, thereby increasing their DC capacity by ~23% from 325.7 MWp in FY2023 to 400 MWp as of January 2025, with plans in place for further upsizing by another 5.7 MWp by March 2026, thus providing visibility to improvement in revenue and cash flows along with a comfortable cumulative DSCR of above 1.3x times as per ICRA's baseline estimates. The capital expenditure (CAPEX) for DC upsizing was funded by a combination of external debt, unsecured loans from holding company (OSPPL), and internal accruals.

ICRA also derives comfort from the recent refinancing of the external term loans post takeover by OSPPL. The loans were refinanced by India Infradebt Limited at competitive interest rate and an enhancement in term loan of Rs.75 crore to fund the DC upsizing related capex. Such favourable refinancing terms, along with efficient plant operations and attractive tariffs have been key factors behind the Pool's comfortable debt coverage metrics. The rating also reflects the diversification benefits arising out of the geographically distributed asset base and surplus sharing mechanism within the Pool, which mitigates the risk of cash flow timing mismatches due to any region-specific issue like natural calamities or force majeure events. The geographical diversification of the projects across 3 states i.e. Maharashtra (60MW AC; 20%), Uttar Pradesh (160MW AC; 53%) and Odisha (80MW AC; 27%), also leads to a lower risk from impact of change in regulation, natural calamities or force majeure events in any specific region or state, thus providing visibility on a relatively stable earnings stream to cover scheduled debt service obligations.

However, the rating is partially offset by the vulnerability of the revenue and cash flow to climatic risks as variability in irradiance levels and weather-related factors that are beyond the management's control could affect the Pool's cash flows. The rating is also tempered by the high O&M costs of the Pool due to legacy reasons, thus adversely impacting its profitability. That said, ICRA understands that efforts are underway for implementing various cost reduction measures like reducing security expenses, installation of module cleaning systems and optimisation of corporate overheads, which is expected to reflect fully in the pool's P&L from H2 FY2026.

The Stable outlook on all 8 SPVs' rating reflects ICRA's opinion that the Pool will benefit from the recent DC upsizing and various initiatives taken by the management to bring down the O&M costs, thus improving the cashflows and strengthening the debt coverage metrics going forward commensurate to the rating level.

Key rating drivers and their description

Credit strengths

Co-obligor Structure with surplus sharing mechanism and diversified geographical presence partly mitigates risks associated with cash flow mismatches – All the eight SPVs have been funded by India Infradebt Limited, wherein all the SPVs are in co-obligor structure with each other and can share the surplus cash available with them to another SPV in the pool as per the terms of inter creditor agreement. This provides cushioning to the SPVs in case of shortfall in fulfilling their debt obligation due to factors like seasonality, sudden change in climatic conditions and any force majeure event, impacting its power generation and thus the cashflows. As SPVs are geographically diversified in three states, any possible cashflow mismatch due to disruption in a particular state can be mitigated by pooling cashflows from SPVs in other states, under the mechanism defined by the lender, thus ensuring timely repayment of debt.

CAPEX for increasing DC capacity by ~23%, leading to improvement in PLF across the projects – Following the change in management in June 2023, the SPVs have incurred CAPEX for increasing the pool DC capacity from 325.7 MWp in FY23 to 400MWp as of January 2025. Further, they have also installed bi-facial modules while DC repowering of solar plants, to improve power generation efficiency. The repowering was executed in phases over the period, accordingly the PLF has improved gradually in line with repowering. The full impact of the DC repowering is expected to reflect in cashflows from FY2026 onwards. The improved generation performance and favourable debt refinancing is expected to result in comfortable debt metrics for the pool.

Long-term PPA with SECI, mitigates offtake and counterparty credit risks – All the eight SPVs have signed 25-year PPAs with SECI at a fixed tariff rate, thereby mitigating demand and pricing risks and providing revenue visibility. Also, presence of a strong counterparty is expected to result in timely payments.

Credit challenges

Exposure to climate risks as cash flow remains vulnerable to variability in solar irradiance – Any variance in the irradiance due to climatic changes can result in a lower power generation, thus impacting its revenue generation. As per the PPA terms every project needs to generate a minimum stipulated power, any shortfall in the same could lead to penalties equivalent to the shortfall. ICRA notes that at consolidated level a minimum DC PLF of 12.94% is needed to ensure the minimum power generation requirement as per the PPA terms. The current PLF level is well above the minimum PLF required under the PPAs.

Debt coverage metrics remain exposed to O&M costs – The O&M cost has been significantly high in the past adversely impacting the debt coverage metrics. Nonetheless, ICRA notes that efforts are underway by the new management for implementing various cost reduction measures like reducing security expenses, installation of module cleaning systems and optimisation of corporate overheads. These efforts are expected to reduce the O&M costs and are likely to be fully visible in the financials from H2 FY2026 onwards and will remain a key monitorable from the credit perspective.

Exposure to interest rate risks due to fixed nature of PPA tariffs – The pool's cash flows are affected by variable interest rates on loans, exposing cash generation to interest rate fluctuations. The company's debt servicing ability may be impacted in case of an increase in interest rates unless the performance exceeds base-case generation levels. However, ICRA notes that the interest rate is fixed for a period of 3.5 years from April 2024.

Liquidity position: Adequate

Pool's liquidity position remains adequate with expected cash flows from operations of ~ Rs.72 crores and Rs.81 crores in FY2025 and FY 2026 respectively, against annual repayment obligation of Rs.59 crores and Rs.63 crores during these years.

Further the liquidity is supported by the presence of DSRA of 1 quarter covering scheduled principal and interest repayments. In addition, pool is expected to generate free cash and bank balance of Rs.10 crores by March 31, 2025, which would further support the overall liquidity.

Rating sensitivities

Positive factors – The rating can witness upward revision if the pool of all the 8 SPVs is able to consistently demonstrate DC P-90 levels of generation and reduce its O&M/ interest costs, leading to the cumulative DSCR remaining above 1.35 times on a sustained basis.

Negative factors – The rating could witness pressure if at a consolidated level, the operational performance remains subpar due to a multiplicity of factors including lower plant/ grid availability, reduction in solar irradiance, accelerated module degradation, and elevated O&M costs, resulting in subdued DSCR. Specific metrics that could lead to a downgrade include cumulative DSCR remaining below 1.25 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	NA
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of the 8 SPVs of the Co-obligor pool due to the defined mechanism for sharing of surplus cash flows prior to due date of debt servicing

About the company

Flexi Rural Urja Jalgaon Limited (FUJL), incorporated in 2013 is a SPV of OSPPL, which is ultimately owned by MPCL Industries Limited (rated [ICRA]BBB+ (Stable)/ [ICRA]A2). FUJL was formed for developing and operating the solar power project in the Parbhani District of Maharashtra, it has an installed capacity of 20MW AC and re-powered DC capacity of 21.21 MWp (as of Jan'25) with SECI as an off taker.

About the Co-obligor Pool

The Co-obligor Pool consists of 8 SPVs (Dakshin Odisha Urja Pvt Ltd, Vento Power & Energy Ltd, UP Mehrauni I Urja Pvt Ltd, UP Mehrauni II Urja Pvt Ltd, UP Koraun Urja Pvt Ltd, UP Sarila Urja Pvt Ltd, MH Parbhani Power Pvt Ltd and Flexirural Urja Jalgaon Ltd) owned by OSPPL, which is ultimately owned by MPCL Industries Limited. These SPVs were formed for developing and operating the solar power projects in the states of Maharashtra, Uttar Pradesh and Odisha. They have an installed capacity of 300MW AC and re-powered DC capacity of 400 MWp (as of Jan'25) with SECI as an off taker for all the SPVs.

Key financial indicators (audited)

FUJL (Standalone)	FY2023	FY2024
Operating income	12	12
PAT	-9	-8
OPBDIT/OI	85%	80%
PAT/OI	-70%	-64%
Total outside liabilities/Tangible net worth (times)	NM	NM
Total debt/OPBDIT (times)	8.8	9.6
Interest coverage (times)	1.2	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; NM: Not Meaningful.

Key financial indicators (Consolidated 8 Co-Obligor SPVs)

	FY2023	FY2024
Operating income	190	189
PAT	-99	-69
OPBDIT/OI	83%	83%
PAT/OI	-52%	-37%
Total outside liabilities/Tangible net worth (times)	NM	NM
Total debt/OPBDIT (times)	9.7	9.6
Interest coverage (times)	1.3	1.4

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; NM: Not Meaningful.

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					
FY2025						FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Feb 13, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	78.40	[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	FY 2025	9.1%	FY 2041	78.40	[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	Ownership*	Consolidation Approach
Dakshin Odisha Urja Pvt Ltd	100%	Full Consolidation
Vento Power & Energy Ltd	100%	Full Consolidation
UP Mehrauni I Urja Pvt Ltd	100%	Full Consolidation
UP Mehrauni II Urja Pvt Ltd	100%	Full Consolidation
UP Koraun Urja Pvt Ltd	100%	Full Consolidation
UP Sarila Urja Pvt Ltd	100%	Full Consolidation
MH Parbhani Power Pvt Ltd	100%	Full Consolidation
Flexirural Urja Jalgaon Ltd	100%	Full Consolidation

*100% owned by OSPPL

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