

February 27, 2025

## Omega Solar Projects Private Limited: Rating upgraded to [ICRA]A+ (Stable)

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Term loan	42.61	39.76	[ICRA]A+ (Stable); Upgraded from [ICRA]A- (Stable)
<b>Total</b>	<b>42.61</b>	<b>39.76</b>	

\*Instrument details are provided in Annexure I

### Rationale

ICRA has revised the rating approach for the four cash pooling special purpose vehicles (SPVs) - Belgaum Renewable Energy Private Limited (Belgaum), Samyama Jyothi Solar Energy Private Limited (Samyama), Sadipali Solar Private Limited (Sadipali) and Omega Solar Projects Private Limited (Omega), collectively referred to as the pool - to a consolidated view against the earlier approach of uplifted unsupported standalone rating for an SPV after factoring in the implicit support of the consolidated credit profile of the co-obligor pool. This change in the approach follows additional clarity received from the lenders/issuer on the defined mechanism for the sharing of surplus cash flows prior to the due date of debt servicing among the four cash pooling SPVs.

The rating takes into account the operational status of the entire solar capacity in the co-obligor pool portfolio with diversification benefits as the solar assets are located across different geographies. The rating also factors in the pool's limited offtake risk due to the long-term PPAs signed for the entire portfolio with the respective offtakers, and the flexibility derived from the cash pooling and surplus sharing mechanism to mitigate the risk of cash flow timing mismatches due to any region-specific issue like natural calamities or force majeure events. Moreover, the rating derives support from the pool's healthy debt coverage metrics, supported by the refinancing of the term loans in June 2022 and a healthy generation track record of close to the pool's P-90 levels over the past nine years.

The four SPVs operate 76.15-MWp capacity across Karnataka, Punjab and Odisha. Sadipali has long-term power purchase agreements (PPAs) with SECI {rated [ICRA]AAA(Stable)/[ICRA]A1+}, Belgaum with commercial & industrial (C&I) customers, and Omega & Samyama with state-run discoms. The generation performance and collection track record of all the assets is satisfactory.

On the operating front, the generation levels remained satisfactory with a blended pool PLF of 16.37% in FY2023 and 16.04% FY2024. However, the generation temporarily moderated to 14.50% in 9M FY2025 (16.04% in 9M FY2024 and 15.71% in 9M FY2023) due to unforeseen infrastructural issues at some of the sites on account of vintage equipment, module degradation and an extended monsoon in Karnataka. In this regard, ICRA notes that at Sadipali, from February-June 2024, one of the eight inverters were damaged due to an IGBT stack failure, which subsequently led to a fire accident, resulting in an idling of 12.5% of the generation capacity during this period. Again, in Q3 FY2025, the failure of MCBs at Sadipali hampered the operations of two inverters. Similar issues were witnessed at Belgaum, where one of the 20 inverters were damaged, resulting in a 5% idling of the generation capacity during the period. Further, at Omega & Samyama, the generation performance was also subdued in the current fiscal due to a series of operational challenges, including frequent grid outages, inverter failures, and both planned & unplanned maintenance outages at the distribution network operator level. These disruptions collectively impacted the overall generation capacity of the pool, and the costs incurred for rectification and restoration were funded through insurance claims, equipment maintenance reserve and surplus cash at the SPV level.

ICRA notes that the infrastructural outages pushed up the overhead expenses much higher than the budgeted rates for the pool during FY2024 and 9M FY2025. A combination of these factors adversely impacted the pool's earnings in 9M FY2025.

However, ICRA expects the earnings to inch up gradually going forward, supported by renegotiation of the O&M contracts at finer rates and mitigation of the infrastructural issues during the current fiscal that would help the generation to rebound to the P-90 levels.

The rating is, however, constrained by the susceptibility of the cash flows to the weather, which is an uncontrollable factor. Any adverse climate changes shall directly impact the power generation and the cash flows of the pool. Further, the rating is constrained by the risk of cash flow mismatch at Belgaum as the residual lock-in period (~3 years) for the PPAs is less than the debt tenure and exposes the pool to tariff renewal risks that might result in cash flow mismatches after the end of the lock-in-period. Nonetheless, comfort can be drawn from the competitive tariffs offered by the project, which somewhat mitigates the PPA rollover risks.

ICRA also notes that the pool is not only exposed to interest rate/duration risk as the tariff under the PPAs is fixed, but also to industry-specific/regulatory risks like implementing the scheduling and forecasting framework for solar power projects, given the variable nature of solar energy generation, and changes in open access charges for onsite solar assets by the respective state electricity regulatory commissions (SERC). While these levies (transmission/wheeling charges, banking charges and cross subsidy surcharge) were waived in Belgaum till March 2028 under the Karnataka Solar Policy-2014, the exemption may not be available thereafter, which will impact the tariff competitiveness.

The Stable outlook on the rating reflects ICRA's expectations that following the corrective measures taken towards the O&M of the solar assets, the generation performance is likely to improve FY2026 onwards. The improved generation, along with the reduction in O&M expenses, is expected to keep the cumulative DSCR of the co-obligor pool at a comfortable level of more than 1.5x over the tenure of the debt.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoting solar energy assets**– The company pool is a 100% subsidiary of NextPower III Singapore Holdco Pte Ltd. (NP-III), which is a part of NextEnergy Capital (NEC). NEC is a London-based investment manager which manages solar investments on behalf of some of the largest pension funds in the world. NEC, through NP-III, had acquired these assets over the period FY2020 to FY2021 and has adequate experience in operating solar projects. NP-III is a fund which has raised over USD 896 million against its initial target of USD 750 million and has a global presence in the US, Spain, Portugal, Chile, Poland, Italy and India with an aggregate installed capacity of over 3 GW.

**Access to cash surplus from cash pooling mechanism with Sadipali, Belgaum & Samyama** – The company benefits from the diversification benefits arising out of the geographically distributed asset base and the 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.

**Satisfactory track record of generation, despite operational issues faced in FY2025** – NP-III acquired 100% in these four SPVs from different sponsors, pooled them together during FY2020 to FY2022, and became the holding company for these SPVs/pool. These assets in the pool commenced operations between March 2015 and March 2018, and hence the pool has an operational track record of nearly a decade. The blended generation performance in the past has been largely lower or above the P-90 levels (after adjusting for module degradation). During 9M FY2025, the generation performance temporarily moderated to 14.50% in 9M FY2025 from 16.04% in FY2024 mainly due to unforeseen infrastructural issues at sites on account of the vintage of equipment, module degradation and an extended monsoon in Karnataka. However, the management has taken proactive steps to curb such issues by replacing the equipment and making necessary improvements at the sites. The cost for this has been incurred through insurance claims, equipment maintenance reserve and plough-back of cash accruals generated at the SPV level. The ability of the pool to demonstrate a satisfactory generation performance on a sustained basis remains critical as the revenue is linked to the generation performance.

**Revenue visibility from long-term PPAs; diversified customer mix mitigates offtake risks** – All the projects are backed by 25-year PPAs with well-established & diversified offtakers for the entire capacity of 76.15 MWp. For the Belgaum asset, long-term PPAs have been signed with multiple commercial & industrial (C&Is) consumers having modest a credit risk profile for a period of 10 years to 25 years. While majority of the PPAs are for a 25-year tenor, a few offtakers have a lower lock-in period of 10 years (residual lock-in tenor of 3 years), and one Offtaker for 15 years (residual period 8 years). As the project was commissioned before March 31, 2018, it is covered under the Karnataka State Solar Policy-2014 wherein it is exempt from the payment of transmission/wheeling charges and cross-subsidy surcharge. Thus, the tariff (ranging from Rs. 4.45/KWhr to Rs. 5.0/KWhr) remains competitive against the grid tariff on offer.

Additionally, the pool derives comfort from a diversified customer mix. The Sadipali SPV has signed long-term PPAs with SECI, rated [ICRA]AAA(Stable)/[ICRA]A1+. The Omega & Samyama assets have signed PPAs with state-run discoms - Punjab State Power Corporation Ltd (PSPCL) and Bangalore Electricity Supply Company Limited (BESCOM) - partially mitigating the counterparty credit risk. The pool also receives the payments within ~60 days from the date of billing. Thus, there remains healthy visibility on the future cash flows by the pool.

**Healthy coverage ratios, driven by competitive cost of borrowing, elongated debt tenor and healthy generation track record over the years** – The pool refinanced the debt obligations on its books in June 2022 at highly competitive interest rates and an elongated tenor. As a result, the ability to service the debt has improved significantly. ICRA expects the pool's cumulative DSCR to remain above 1.5x over the loan tenor, given the stable cash flows, favourable refinancing terms and healthy generation levels. Additionally, the pool will maintain a liquidity balance equivalent of the debt servicing (principal and interest) for the two upcoming quarters in a debt servicing reserve account (DSRA) in the form of fixed deposits and accrue the surplus cash at the SPV level, providing liquidity comfort in terms of debt servicing.

### Credit challenges

**Cash flows vulnerable to irradiance levels** – The co-obligor pool is entirely dependent on power generation from the solar power project for its revenues and cash accruals. Given the fixed nature of the blended tariff, the pool may lose revenues and profits if the power generation declines due to variability in solar irradiance. However, the geographic diversification of the assets offsets this risk to an extent.

**Exposure to interest rate and regulatory risks** – ICRA notes that the cash flows of the pool are affected by the variable interest rates on loans, which are reset every five years, exposing the cash generation to interest rate fluctuations. The co-obligor pool is also exposed to industry-specific risks, such as regulatory risks associated with implementing the scheduling and forecasting framework for solar power projects, given the variable nature of solar energy generation, and changes in open access charges for onsite solar assets by the respective state electricity regulatory commissions (SERC). While the levies (transmission/wheeling charges, banking charges and cross subsidy surcharge) have been waived for Belgaum till March 2028 under the Karnataka Solar Policy-2014, the exemption may not be available thereafter, which will adversely impact the tariff competitiveness.

### Liquidity position: Adequate

The liquidity position of the pool remains adequate, with DSRA of two-quarters' debt obligations in place (Rs. 12.79 crore in the form of fixed deposits) and an unencumbered cash & bank balance of Rs. 38.05 as on December 31, 2024. The pool's free cash flows in FY2025/FY2026 are expected to remain adequate to meet its annual debt servicing requirements ranging from Rs. 30-31 crore, as the generation is likely to inch up to the blended P-90 levels following the completion of the one-time O&M activities.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the rating of the pool if it can achieve a generation performance above the blended P-90 levels along with receiving timely payments from the offtakers that would strengthen the debt coverage metrics and liquidity position.

**Negative factors** – Pressure on the pool's rating could arise due to underperformance in the power generation levels that would pull down the cumulative DSCR below 1.30x on a sustained basis. Payment delays from the offtakers, resulting in a deterioration of the pool's liquidity profile, could also weigh on the rating.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Solar – Power</a>
Parent/Group support	ICRA has taken a consolidated view to arrive at the rating(s) of the co-obligor pool due to the presence of well-defined pre-default payment timelines, cross-default linkages and a contractual surplus sharing mechanism. In line with the same, the consolidated financials of the four SPVs - Belgaum, Omega, Samyama and Sadipali – have been considered
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of the entity

## About the company

Omega Solar Projects Private Limited (OSPPL) is a special purpose vehicle that operates a 10MWac solar project in Sangatpura, Punjab, India since March 2015. The special purpose vehicle was acquired by NextEnergy Capital (NEC) through its subsidiary, NextPower III Singapore Holdco Pte. Ltd. (the holding company is a direct subsidiary of NextPower III LP, a UK based LP.), from earlier investors – JV SUN Clean Technology Investments Limited, Jersey (56%) ORIX Corporation, Japan (44%) in FY2021.

## About the cash pooling structure

Under the cash pooling portfolio, there are four SPVs – Belgaum Renewable Energy Private Limited, Samyama Jyothi Solar Energy Private Limited, Sadipali Solar Private Limited and Omega Solar Projects Private Limited. The cash pooling SPVs have been acquired by NextEnergy Capital (NEC) through its entity, NextPower III Singapore Holdco Pte. Ltd., the holding company which in turn is a direct subsidiary of NextPower III LP, a UK based LP.

NEC is a private equity firm with assets under management of \$3.2 billion as on November 30, 2024. The project is being managed by Wise Energy Asset Management (a subsidiary of NEC). Wise Energy manages 1,300 plants with an overall capacity of 2.2 GW in renewable assets.

## Key financial indicators (audited)

OSPPL (Standalone)	FY2023	FY2024
Operating income	12.3	12.4
PAT	-1.5	-0.3
OPBDIT/OI	75.7%	76.8%
PAT/OI	-12.0%	-2.4%
Total outside liabilities/Tangible net worth (times)	-3.3	-3.2
Total debt/OPBDIT (times)	6.9	6.5
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

Consolidated – Belgaum, Sadipali, Samyama & Omega (Cash pooling)	FY2023	FY2024
Operating income	56.8	56.6
PAT	-7.0	-5.0
OPBDIT/OI	74.5%	69.7%
PAT/OI	-12.4%	-8.9%
Total outside liabilities/Tangible net worth (times)	22.09	33.53
Total debt/OPBDIT (times)	6.62	6.78
Interest coverage (times)	1.24	1.37

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						
	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long term	39.76	Feb 27, 2025	[ICRA]A+ (Stable)	Jan 31, 2024	[ICRA]A- (Stable)	Dec 02, 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	Fund-based – Term loan	June 2022	NA	March 2036	39.76	[ICRA]A+ (Stable)

Source: Company

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#### Annexure II: List of entities considered for consolidated analysis

Company Name	Consolidation approach
Belgaum Renewable Energy Private Limited	Full consolidation
Samyama Jyothi Solar Energy Private Limited	Full consolidation
Sadipali Solar Private Limited	Full consolidation
Omega Solar Projects Private Limited	Full consolidation

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

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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.

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