March 21, 2025

OSMANABAD SOLAR ENERGY LIMITED: Rating upgraded to [ICRA]A (Stable); rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund Based: Term Loan	100.00	122.00	[ICRA]A (Stable) upgraded from [ICRA]A- (Stable) & assigned for enhanced amount
Total	**100.00**	**122.00**	

Instrument details are provided in Annexure I

Rationale

ICRA has upgraded the rating on the bank loan facilities of Osmanabad Solar Energy Limited (OSEL), based on the company's better than expected performance in FY2024 and 9M FY2025. This performance was driven by a combination of pick-up in generation following DC upsizing and a demonstrated track record of improved operating efficiency led by change in ownership. The project's DC PLF level in FY2024 and 9M FY2025 touched 15.7% and 15.9% respectively, being close to the P-90 DC PLF of 16.55% and higher than ICRA's earlier baseline PLF forecast of 14.4% for FY2024 and 14.81% for FY2025.

The rating factors in the long-term revenue visibility for its 20 MW (AC) solar power plant, on account of the 25-year power purchase agreement (PPA) with NTPC Vidyut Vyapar Nigam Limited (NVVN) at an attractive fixed tariff of Rs. 9.27 per unit. OSEL was acquired by Onward Solar Power Private Limited (OSPPL) in November 2022 and the new management completed the DC upsizing of the project capacity to 26.7 MWp from 21.1 MWp earlier. OSEL took a top-up loan of Rs.40 crore in FY2024, which was not factored during the previous rating exercise. However, the project's debt coverage metrics are expected to remain healthy with the cumulative DSCR estimated at 1.58x, given the healthy tariff under the PPA, the enhanced generation levels post DC upsizing and the long residual debt tenure of ~10 years along with the competitive interest rates.

ICRA also notes the presence of a strong counterparty i.e., NVVN, leading to low counterparty credit risks for OSEL. The realisations of the current receivables from NVVN have been low and the monthly payments have been realised within seven days from the billing date over the last 12 months. However, certain old/disputed receivables amounting to ~Rs. 7.4 crore remain outstanding from NVVN as regulatory clarity is yet to emerge on the matter from the Central Electricity Regulatory Commission (CERC).

The rating is constrained by the vulnerability of OSEL's cash flows and debt protection metrics to variability in its generation performance. Since, OSEL operates at a single location, any adverse variation in weather conditions and deterioration in module efficiency may impact the PLF levels and consequently affect its cash flows, as the PPA tariff is single part and fixed in nature. Further, the rating remains constrained by the exposure of the company's debt coverage metrics to the movement in interest rate on the external loans. Any increase in interest rates will adversely impact the company's DSCR & PLCR and remains a key credit consideration.

Also, the company's debt terms have a cross-default clause, whereby any default by the guarantors (MPCL Industries Limited and OSPPL) will constitute as an event of default for OSEL and could lead to acceleration of its debt, the same is at lender's discretion. However, given its favourable operational and financial profiles (healthy debt coverage metrics and strong counterparty – NVVN), if lender exercises this cross-default clause, the company is expected to comfortably refinance its debt, thereby partially mitigating the risk.

The Stable outlook factors in the revenue visibility from the long-term PPA and a satisfactory generation performance, which is expected to keep the debt protection metrics comfortable. The outlook is also supported by the timely receipt of payments from the off-taker, which is expected to help maintain a comfortable liquidity headroom going forward.

Key rating drivers and their description

Credit strengths

Long-term PPA with strong counterparty NVVN, offers visibility to stable cashflows- OSEL has signed a 25-year PPA with NVVN for 95.3% of its power generation capacity (post re-powering), at a fixed tariff of Rs. 9.27 per unit. Thus, the offtake risk remains limited, providing healthy revenue visibility. Also, comfort is drawn from the presence of a strong credit profile of the off-taker i.e., NVVN, and a healthy track record of timely payments in the last three years, except for the 4-month period in FY2023 for which the payments are pending due to power scheduling error and the company has appealed in the CERC for recovery of these payments. OSEL also has receivables of Rs. ~19.8 crore from NVVN pertaining to the initial period post project commissioning, wherein NVVN demanded damages from the company under previous management, given the delay in project commissioning and did not pay for the bills raised. The matter has been under arbitration and is yet to be resolved. The financial profile of OSEL is not expected to be impacted in case of any adverse outcome of the litigation.

Improved power generation performance, supported by recent capex for DC up-sizing- After a change in the management, the Onward group has incurred capex to increase its DC capacity to 26.78 MWp as of December 2024 from 21.1 MWp in FY2023. The repowering has happened in phases over the period and accordingly the PLF has improved gradually in line with the repowering. Thus, providing visibility for better cashflows from FY2025 onwards.

The operating performance has also improved, supported by increase in DC capacity and satisfactory O&M services leading to higher generation. In 9M FY2025, the power generated was 35% higher compared to the generation in 9M FY2023 (before re-powering).

Comfortable debt coverage metrics- OSEL's term loans from the previous lenders were refinanced after the acquisition by OSPPL with a term loan of Rs.76 crore for prepaying the previous lenders and a top-up debt of Rs.24 crore was availed by the company to fund the DC capacity upsizing. Further, a fresh term loan of Rs.40 crore was taken in January 2024, for repayment of unsecured loans to holding company, OSPPL. The residual tenure of the PPA is more than the balance repayment tenure of all the term loans. The debt coverage metrics for the project are expected to remain healthy with the cumulative DSCR estimated at 1.58x, given the healthy tariff under the PPA, the long-term debt tenure and competitive interest rates.

Credit challenges

Low geographical diversification, with single-asset operations, resulting in vulnerability to variation in solar irradiance- OSEL is entirely dependent on power generation by the solar power project for its revenues and cash accruals, given the single-part nature of the tariff. Thus, any adverse variation in weather conditions and equipment performance may impact its generation and consequently its cash flows. The single location and single-asset nature of the company's operations amplifies this risk. Nonetheless, the recent track record of generation has been satisfactory for the company.

Exposure to interest rate risk- The capital structure of the company is leveraged and given the single-part nature of the fixed tariff in the PPA and floating interest rates, its net earnings and debt coverage metrics remain vulnerable to any increase in interest rates. Any increase in interest rates will adversely impact the company's DSCR & PLCR and remains a key credit consideration

Regulatory risks of implementing scheduling and forecasting framework for solar sector- The company's operations remain exposed to regulatory risks pertaining to the scheduling and forecasting requirements applicable for solar power projects, given the variable nature of solar power generation.

Liquidity position: Adequate

The liquidity profile of OSEL is expected to be adequate, supported by healthy buffer in the cash flow from operations and debt servicing obligations, with the company expected to generate cash flow from operations (post-interest payment) of ~Rs.19 crore against a debt repayment obligation of ~Rs. 13.7 crore in FY2026. The company will also maintain a DSRA of ~Rs.6 crore in FY 2026, i.e. equivalent to one quarter of its debt service obligation. In addition, the company had cash and balances of Rs. 5.1 crore as on February 11, 2025 and is expected to maintain at least Rs.2-3 crore of cash balance going forward. This cash balance is expected to help it tide over any temporary cash flow timing mismatches.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant improvement in the generation performance above the appraised P-90 DC PLF estimate on a sustained basis. Recovery of the sizeable outstanding debtors from NVVN that are under dispute, thereby reducing the borrowing amount, and an improvement in the liquidity would also support an upgrade.

Negative factors – The rating could be downgraded if the actual generation is significantly lower than the P-90 PLF estimate on a sustained basis, thereby weakening the debt coverage metrics and pulling down the cumulative DSCR below 1.25x. Further, the rating can be downgraded if there are significant delays in receiving payments from its off-taker, which will adversely impact the liquidity profile of the company. Additional leveraging at the SPV level which exerts pressure on the cumulative DSCR levels, could also result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

Osmanabad Solar Energy Limited (OSEL) (Formerly known as Essel MP Energy Limited, till August 2015) was incorporated in 2011. At present, OSEL is a 100% subsidiary of Onward Solar Power Private Limited (OSPPL). The Onward Group owns and operates a portfolio of power projects aggregating to 410 MW (AC) capacity. OSPPL is a 100% subsidiary of MPCL Industries Limited (ultimate parent), which is primarily engaged in base oil trading and refrigeration gas manufacturing. OSEL was earlier a subsidiary of Essel Infraprojects Ltd. (EIL) and was acquired by OSPPL in November 2022.

OSEL operates a 20 MW (AC) solar power project at the Horti village in the Osmanabad district of Maharashtra. The project was commissioned on August 6, 2013 and has a 25 year long-term Power Purchase Agreement (PPA) with NTPC Vidyut Vyapar Nigam Limited (NVVN) at a fixed tariff of Rs. 9.27 per unit. After acquisition by OSPPL, the new management has taken various actions to improve plant efficiency, including DC-upsizing of the plant thereby increasing the DC capacity to 26.78 MWp from 21.1 MWp.

Key financial indicators (audited)

OSEL Standalone	FY2023	FY2024
Operating income (Rs. crore)	26.39	31.31
PAT (Rs. crore)	3.87	13.39
OPBDIT/OI (%)	87.5%	86%
PAT/OI (%)	14.7%	42.8%
Total outside liabilities/Tangible net worth (times)	NM	NM
Adjusted Total debt/OPBDIT (times)*	3.3	4.9
Interest coverage (times)	2.1	2.9

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation * adjusted for promoter debt/related party loans; these loans are subordinated to the bank debt availed; NM: Not Meaningful.*

Status of non-cooperation with previous CRA: BWR D; ISSUER NOT COOPERATING /Reaffirmation as on Oct 28, 2022, and Withdrawal on Sept 29, 2023

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)	Mar 21, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term fund based – Term loan	Long term	122.0	[ICRA] A (Stable)	Mar 21, 2025	[ICRA] A (Stable)	Jan 17, 2024	[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	**Long Term – Fund Based – Term loan**	Jan 2023	9.3%	FY2035	122.00	[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 – Not applicable

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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.

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