

March 31, 2025

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

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	30.06	[ICRA]BBB+ (Stable); assigned
Total	30.06	

*Instrument details are provided in Annexure I

Rationale

The rating takes comfort from the presence of a cash pooling structure with a defined payment mechanism for sharing surplus cash flows prior to the due date of debt servicing among Zillica Renewables Private Limited (ZRPL), Kaze Renewables Private Limited (KRPL), Apricus Renewables Private Limited (ARPL), Ardeur Renewables Private Limited (APL) and Arunodaya Techsolar Power Projects Private Limited (ATPL), collectively referred as the 'Pool', enabling ICRA to take a consolidated view of the five cash pooling special purpose vehicles (SPVs). There are also cross default linkages among these five SPVs, under the co-obligor structure of the project debt financing. The five SPVs together have solar power capacity of 81.8 MW, wherein 28.3 MW is commissioned, and 53.5 MW is under-construction.

The rating for the pool factors in the strengths arising from its parentage, as part of the Cleantech Solar Group, which has reputed sponsors like Keppel Corporation and Shell Plc, along with an experienced management, established track record in developing and operating solar power projects and a diversified solar project portfolio of ~1,081 MW tied up with large commercial and industrial (C&I) customers. Of this, the capacity under the holding company of these five SPVs, namely, Cleantech Solar Asia 2 Pte Ltd. (CSA-2), stands at 442 MW, with 156.2 MW operational, 192.0 MW under construction and the balance under development.

The rating favourably factors in the presence of long-term power purchase agreements (PPAs) with industrial customers under group captive mode, mitigating the offtake and tariff risks for four of the five SPVs, covering 93% of the pool capacity. With respect to the balance 7% capacity under ATPL, the company is selling power through power exchange initiatives and remains exposed to volume and tariff risks in the merchant market. The competitiveness of the tariff offered by the pool SPVs remains high, with the tariff being significantly lower than the grid tariff for industrial customers. Moreover, the PPA would enable the customers to meet their sustainability goals. Further, the rating draws comfort from the comfortable credit profile of offtakers—DCW Limited, DRT Anthea Aroma Chemicals Private Limited, Orient Cement Limited and Chloride Metals Limited—which is expected to result in a timely collection of payments.

The rating is, however, constrained by the execution risks given the under-construction capacity of ~53.5 MW (~65% of the total capacity of the cash-pooling SPVs). While the projects have witnessed delays in commissioning against the scheduled commercial operations date, advance progress made in the construction of transmission lines and module installations provides comfort, except for a 9-MW capacity under APL, wherein land acquisition is still pending. ICRA understands from the management that a majority of the under-construction projects are expected to become operational in the coming two months. ICRA also notes that the company has not drawn debt for a majority of the under-construction capacity, and this is expected to be drawn closer to the commissioning date or post commissioning, thereby reducing the risk of cost overrun from escalation in interest during construction owing to delays in execution. Going forward, the ability of the pool to commission the projects without further delays and without any major cost overrun, including due to invocation of the liquidated damages (LDs) by the customers remains important.

Post commissioning, the debt coverage metrics are expected to be adequate with the cumulative debt service coverage ratio (DSCR) over 1.2x during the debt tenure for the cash pooling SPVs, supported by the long-term PPAs, the long tenure of the debt, and based on the appraised P90 PLF estimate. However, the SPVs remain exposed to risk of cash flow mismatch owing to the lower lock-in period under the PPAs in relation to the debt tenure. Moreover, the termination payments under the PPA do not cover the entire debt outstanding. Nonetheless, comfort can be drawn from the competitive tariff offered by the pool and the Group's track record in securing PPAs with large C&I customers.

The rating also considers the vulnerability of the cash flows and debt coverage metrics of the solar projects under the pool 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 solar assets would impact generation and, consequently, the cash flows. Demonstration of generation performance in line with, or above the P90 estimate remains a key monitorable for the rating. This is given the limited track record for the pool's operational capacity, except for the 5.5 MW under ATPL, and as majority of the pool capacity is yet to be commissioned.

ICRA notes 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 entities remain exposed to regulatory risks associated with forecasting and 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 factors in the expected commissioning of the under-construction assets in the pool without any further delays, and availability of the long-term PPAs with strong counterparties for most of the capacity, thereby providing revenue visibility, post commissioning.

Key rating drivers and their description

Credit strengths

Strengths by virtue of being part of Cleantech Solar Group – The pool SPVs are a 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 on growing their renewable energy portfolio. The SPVs are expected to receive support from the Group in case of any requirements.

Low offtake risk with presence of long-term PPA with industrial customers at highly competitive tariff for 93% of the pool capacity – The solar capacity under the pool has tied-up long-term PPAs with multiple offtakers under the captive mode at a fixed tariff, thereby limiting the offtake and tariff risks for 93% of the pool capacity. The balance capacity under ATPL is selling power through power exchanges and remains exposed to volume and tariff risks. Further, comfort is drawn from the competitive tariffs offered by the projects under the pool to the customers against the grid tariff rates. Moreover, the PPAs would enable customers to meet their renewable purchase obligations.

Comfortable credit profile of the customers is expected to result in timely payments – The SPVs under the pool have signed PPAs with reputed industrial customers such as DCW Limited, DRT Anthea Aroma Chemicals Private Limited, Orient Cement Limited and Chloride Metals Limited. Given the comfortable credit profile of such customers, the payments are expected to be received in a timely manner.

Adequate debt coverage metrics and comfortable liquidity profile – The debt coverage metrics for the pool are expected to be adequate after commissioning, with the cumulative debt service coverage ratio (DSCR) over 1.2x during the debt tenure, supported by the long-term PPAs and the long tenure of the debt. Also, the liquidity profile of the pool is supported by a DSRA equivalent to two quarters.

Credit challenges

Execution risk for under-construction capacities in the pool – The pool is exposed to execution risks given the under-construction capacity of ~53.5 MW (~65% of the total capacity of the cash-pooling SPVs). While the projects have witnessed delays in commissioning against the scheduled commercial operations date, advance progress made in the construction of transmission lines and module installations provides comfort; except for a 9-MW capacity under APL, wherein land acquisition is still pending. ICRA understands from the management that a majority of the under-construction projects are expected to become operational in the coming two months. The ability of the pool to commission the projects without further delays and without any cost overrun remains important.

Vulnerability of cash flows to solar radiation – Given the single-part tariff under the PPAs, the revenues and cash flows of the pool would remain vulnerable to the actual generation, which in turn is exposed to the variability in solar radiation. Therefore, the ability of the projects to achieve the design P-90 PLF, post commissioning, on a sustained basis, remains crucial. This remains a key monitorable, considering the limited track record of operations for the commissioned capacity and presence of sizeable under-construction capacity in the pool.

Risk of cash flow mismatch owing to lower lock-in period under the PPAs in relation to debt tenure - The PPAs signed by the SPVs under the pool have a weighted average lock-in period of ~17 years, which is lower than the debt repayment tenure of ~20 years, leading to risk of cash flow mismatches. Nonetheless comfort can be drawn from the significant discount offered by the company to its customers against the grid tariff, as well as from the track record of the sponsor in securing PPAs with large C&I customers, which is expected to enable the SPVs to continue the PPAs beyond the lock-in period, or tie-up new PPAs at similar tariffs.

Exposure to interest rate risk – The interest rates on the term loans availed by the company for its projects are 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.

Regulatory risks – The operations of the SPVs 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 and 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 of the pool is expected to remain adequate, with sufficient buffer between cash flows from operations and debt repayment obligation, post commissioning of the entire assets under the pool. The SPVs have tied up with the required funding for the under-construction capacity. Moreover, the parent is expected to bring in additional funds in case of any cost overruns for the under-construction capacity. Post commissioning, the liquidity of the pool is expected to be supported by the presence of a two-quarter DSRA.

Rating sensitivities

Positive factors – ICRA could upgrade the rating upon the successful commissioning of entire assets in the pool, and if the projects demonstrate a generation performance in line with, or higher than the P90 estimates, along with timely payments from customers, leading to healthy credit metrics. Also, the rating would remain sensitive to the credit profile of the parent, CSA-2.

Negative factors – Negative pressure on the rating could arise if the generation performance of the solar assets remains below the appraised estimate on a sustained basis, thereby adversely impacting the debt coverage metrics. Also, any significant delay in commissioning of the under-construction assets affecting the cash flow generation and liquidity position would be credit negatives. In addition, any delay in payments from counterparties adversely impacting the liquidity position could also result

in a rating downgrade. Further, the rating would remain sensitive to the deterioration in the credit profile of the parent, CSA-2. A specific credit metric for downgrade is cumulative DSCR on the project debt falling below 1.10x.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	The rating assigned factors in the presence of a cash pooling structure with a defined payment mechanism for sharing surplus cash among the SPVs prior to the due date of debt servicing. In view of this, ICRA has taken a consolidated view of the five SPVs and then further notching up the pool rating based on the expectation of implicit support from the parent company, CSA-2.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of five cash pooling SPVs listed in Annexure II

About the company

Incorporated in April 2023, ARPL is a SPV promoted by Cleantech India OA 2 Pte. Ltd., Singapore (CSIOA2), which is in turn held by CSA-2. ARPL owns and operates two Solar power projects – comprising 8.1 MW capacity in Maharashtra. The company has signed a 25-year long-term PPA with DRT Anthea Aroma Chemicals Private Limited for the full capacity. As required under the group captive regulations, the customer has subscribed to the shareholding of the company. With the 8.1 MW, 3.3 MW achieved commissioning in May 2024 and 4.8 MW commissioned in December 2024.

About the cash pooling SPVs

The SPVs under the cash pooling arrangement have an aggregate solar power capacity of 81.8 MW in the states of Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu. Ninety-three percent of the capacity under the pool has been contracted through long-term PPAs with multiple offtakers under the captive mode at a fixed tariff. The balance capacity is to be sold in the merchant market through power exchanges.

Key financial indicators (audited) – The standalone and Pool financials are not meaningful as majority of the assets were under construction in FY2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			March 31 2025	-	-	-
1 Fund based – Term Loans	Long term	30.06	[ICRA]BBB+ (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	NA	NA	FY2045	30.06	[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:

Company name	Ownership of CSA-2	Consolidation approach
Zillica Renewables Private Limited	73.74%	Full consolidation
Apricus Renewables Private Limited	72.14%	Full consolidation
Ardeur Renewables Private Limited	71.48%	Full consolidation
Kaze Renewables Private Limited	71.04%	Full consolidation
Arunodaya Techsolar Power Projects Private Limited	100.00%	Full consolidation

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