July 31, 2025

Radiance KA Sunrise Two Private Limited: Long-term rating downgraded; outlook revised to Negative from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term- fund based – Term loan	29.12	29.12	[ICRA]A- (Negative); downgraded from [ICRA]A (Stable); outlook revised to Negative from Stable
Total	**29.12**	**29.12**	

Instrument details are provided in Annexure I

Rationale

The rating downgrade of Radiance KA Sunrise Two Private Limited (KAS2) considers a moderation in the credit profile of the parent entity, Radiance Renewable Private Limited {RRPL, [ICRA]A-(Negative)/ [ICRA]A2+; revised from [ICRA]A (Stable) /[ICRA]A2+}. Further, the Negative outlook on the rating reflects the Negative outlook on the parent, RRPL.

In line with ICRA's methodology on rating co-obligor structures having a defined mechanism for the 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 (KAS1), KAS2 and Radiance MH Solar Power Private Limited (MS Power), collectively referred to as the pool, are assessed on a consolidated basis and the rating is assigned on a consolidated view basis after factoring in the implicit support from the parent. The three SPVs together operate 20 MW of solar power capacity across Karnataka and Maharashtra.

The rating continues to factor in the operational linkages derived from its parent, RRPL, and the financial support available from the parent, if required. RRPL is backed by Green Growth Equity Fund (GGEF), wherein the National Investment and Infrastructure Fund (NIIF) and the Govt. of UK {through Foreign, Commonwealth and Development Office (FCDO)}, are the anchor investors in GGEF. Further, the rating factors in the satisfactory track record of operations for the pool, despite the dip in the DC plant load factor (DC PLF) to 17.27% in FY2025 from 17.83% in FY2024. This was mainly due to a volatility in irradiation because of an extended monsoon in Karnataka and Maharashtra in FY2025 and module degradation. Nonetheless, the performance remains close to the P-90 estimate of 17.46% for the pool, leading to adequate debt coverage metrics.

The rating also favourably factors in the limited demand and tariff risks for the pool, given the availability of long-term power purchase agreements (PPAs) with industrial customers at largely fixed tariffs. Given the group captive status of SPVs in the pool, 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 offtakers highly competitive against the grid tariff. Also, ICRA takes note of the pool's geographic diversification with 20-MWp capacity across Karnataka and Maharashtra. The rating also factors in the satisfactory credit profile of the customers, leading to timely payments. Going forward, the debt coverage metrics of the pool are expected to remain adequate, driven by the availability of long-term PPAs and a satisfactory generation performance with a cumulative debt service coverage ratio (DSCR) above 1.20x.

The rating is, however, constrained by the exposure of the generation performance of the solar projects to module performance and weather conditions, which is an uncontrollable factor, and any adverse climate changes shall directly impact the power generation and the cash flows of the SPVs and ultimately 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 notes that the pool's debt coverage metrics are exposed to adverse variation in interest rates, given the leveraged capital structure. Also, the pool would remain exposed to variation in open access charges or regulations, which may impact the landed cost of electricity for the group captive consumers.

The operations and maintenance expenses incurred in FY2024 and FY2025 remained above the budgeted rates for the pool, mainly towards the requisite improvements in the fixtures of the 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 H2 FY2026. 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 a timely debt servicing of pool and compliance with the lender's financial covenants[1].

Key rating drivers and their description

Credit strengths

Strong parentage of Radiance Renewables Private Limited lends support; access to cash surplus from cash pooling mechanism with KAS1 & MS Power – KAS2 is a subsidiary of RRPL, which is the holding company of the Radiance Group (installed capacity of over 610 MW) and is backed by GGEF. 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. 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 SPVs 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 a group captive mode, the projects offer tariffs that are highly appealing and competitive compared to the grid tariffs. This leads to cost savings and helps meet the energy efficiency goals of the offtakers.

Low counterparty risk due to satisfactory credit quality of counterparties; 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 from the invoice date.

Credit challenges

Risk of cash flow mismatch as PPA lock-in period is lower than debt tenure - The PPAs have a lock-in period of 15 years (residual lock-in period of ~12 years) against a debt tenure of ~16 years, giving rise to risks associated with PPA renewal and cash flow mismatch. On the other hand, comfort can be drawn from the competitive tariffs offered by the company, and the demonstrated track record of sponsor RRPL in securing PPAs with major C&I clients. The notice period at the end of the 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 – The power production and cash flow generation of solar power projects depend on the irradiance levels and weather-related factors that are beyond the company/pool's control. Thereby, the fixed part nature of tariff and lower-than-expected irradiance levels could constrain the cash flows. Herein, comfort can be drawn from the satisfactory performance of the pool so far. Further, the debt coverage metrics are also exposed to adverse variation in interest rates on loans, which are reset every five years.

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

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 exempted from 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 against the grid tariff will moderate. Hence, the company's ability to form a cost-reflective tariff at the end of the lock-in period (March 2037) will remain a key monitorable from a credit perspective.

Liquidity position: Adequate

The liquidity position of pool is expected to remain adequate, with a DSRA of two-quarters' debt obligations in place (Rs.4.54 crore in form of fixed deposits) and an unencumbered cash & bank balance of Rs. 4.32 crore as on May 31, 2025. The liquidity is aided by positive cash flow from operations on the back of the long-term PPAs at a fixed rate for the solar power projects and expectation of timely receipt of payments from the customers. ICRA expects RRPL to support the pool in case of any shortfall in debt servicing.

Rating sensitivities

Positive factors - Given the Negative outlook, an upgrade is unlikely in the near term. However, ICRA could change the outlook to Stable or upgrade the rating, based on an improvement in the credit profile of the parent, Radiance Renewables Private Limited.

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 1.15x. 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 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 a consolidated view of all the three SPVs in pool

About Radiance KA Sunrise Two Private Limited

Radiance KA Sunrise Two Private Limited (KAS2) is a subsidiary of RRPL. KAS2 has setup a 7MW (AC)/10MWp (DC) ground mounted solar power project in Karnataka under group captive mode which was commissioned in February, 2022. The long term PPAs have been signed with APL Apollo Tubes Limited (APL, rated [ICRA]AA+ (Stable)/[ICRA]A1+) with a lock-in period of 15 years and PPA tenure of 25 years. RRPL holds 74% equity in KAS2 while the remining is held by APL.

About the cash pooling structure

Under the cash pooling portfolio, there are 3 SPVs – KAS1, Radiance KA Sunrise Two Private Limited (KAS2) and Radiance MH Solar Power Private Limited (MS Power). The cash pooling SPVs are a part of the Radiance Group, which is present in the solar sector in India and is backed by GGEF. GGEF has NIIF and the UK Government (through FCDO) 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 – KAS1, KAS2 & MS Power Cash Pooling	FY2023	FY2024	FY2025*
Operating income	11.2	11.2	11.1
PAT	-1.1	-2.0	0.3
OPBDIT/OI (%)	77.0%	78.2%	80.3%
PAT/OI (%)	-10.0%	-18.3%	2.5%
Total outside liabilities/Tangible net worth (times)	3.6	3.8	3.6
Total debt/OPBDIT (times)	8.1	7.5	6.9
Interest coverage (times)	1.3	1.1	1.5

*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; *Provisional financials with limited information*

KAS2(Standalone)	FY2023	FY2024	FY2025*
Operating income	5.4	5.4	5.3
PAT	-0.6	-0.9	0.2
OPBDIT/OI	79.2%	79.9%	82.9%
PAT/OI	-10.5%	-16.8%	4.0%
Total outside liabilities/Tangible net worth (times)	3.6	3.9	3.6
Total debt/OPBDIT (times)	7.8	7.3	6.7
Interest coverage (times)	1.3	1.1	1.5

*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; *Provisional financials with limited information*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	July 31, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	29.12	[ICRA]A- (Negative)	Feb-10-25	[ICRA]A (Stable)	Jan-03-24	[ICRA]A (Stable)	Nov-16-22	[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	FY2041	29.12	[ICRA]A- (Negative)

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 Private Limited	Full consolidation
Radiance KA Sunrise two Private Limited	Full consolidation
Radiance MH Solar Power Private Limited	Full consolidation

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

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