August 26, 2025

Zerach Renewables Energy Private Limited: Ratings reaffirmed; 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	46.58	54.36	[ICRA]A- (Stable); Reaffirmed; Assigned for enhanced amount
Total	**46.58**	**54.36**	

**Instrument details are provided in Annexure I*

Rationale

The rating action for Zerach Renewables Energy Private Limited's (ZREPL) factors in the strengths arising from the company's parentage, being a part of the Cleantech Solar Group, which has reputed sponsors like Keppel Corporation and Shell Plc, an experienced management, established track record in developing and operating renewable power projects and a diversified solar & wind project portfolio of ~1,083 MWp tied up with large commercial & industrial customers. The capacity under the holding company Cleantech India OA Pte Ltd (CIOA) stands at ~374MW with the entire capacity being operational.

Further, the rating favourably factors in the long-term power purchase agreement (PPA) signed by ZREPL with TDK India Private Limited (TDKIPL) at a fixed tariff under the captive mode, thereby limiting the demand and pricing risks for its 14 MW solar power projects. The tariff offered under the PPA is highly competitive in relation to the grid tariff for this customer and the PPA would enable the customer to meet its sustainability goals. Further, the rating draws comfort from the comfortable credit profile of TDKIPL, which is expected to lead to timely realisation of payments for the company. Going forward, the debt metrics are expected to remain adequate, supported by the PPA at a fixed tariff rate and the long tenure of the project debt.

While a top-up term loan of Rs 12.0 crore availed during the debt refinancing is likely to adversely impact the company's debt coverage indicators, they are expected to remain adequate and commensurate with the rating level, supported by the PPAs at fixed tariff rates, a satisfactory generation performance and the long tenure of the project debt. Also, comfort is drawn from the presence of a debt service reserve account (DSRA) equivalent to one quarter of debt servicing. However, any additional leveraging by the entity, impacting its debt coverage metrics would remain a key rating sensitivity, going forward.

However, the rating is constrained by the vulnerability of the cash flows and debt coverage metrics of the solar power project 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. Herein, comfort is drawn from the healthy generation performance achieved so far for 7 MW capacity operational since April 2021, with the PLF remaining above the P90 estimate. The balance capacity of 7 MW was recently commissioned in September 2024. Thus, demonstration of generation performance in line with, or above the P90 estimate remains a key monitorable.

The rating also takes note of the 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 for the entire debt outstanding. Nonetheless, comfort can be drawn from the competitive tariff offered by the company and the Group's track record in securing PPAs with large industrial and commercial customers. ICRA also takes note of 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 company remains exposed to regulatory risks associated with forecasting & scheduling regulations, norms 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 of ZREPL factors in the steady cash flow visibility, aided by the long-term PPA and the timely cash collections expected from the customer.

Key rating drivers and their description

Credit strengths

Strengths by virtue of being part of Cleantech Solar Group – ZREPL is 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 ~1,083 MWp across seven countries in South Asia and the presence of strong shareholders, who are focused are growing their renewable energy portfolio. ZREPL is expected to receive support from the Group in case of any exigency, given the cross-default linkages with the parent, Cleantech India OA Pte Ltd (CIOA), in case of any exigency.

Low offtake risk with presence of long-term PPA with an industrial customer at a highly competitive tariff – The solar project under ZREPL has tied-up a long-term PPA with TDKIPL under the captive mode at a fixed tariff, thereby limiting the demand and pricing risks. The PPA includes a provision for termination payments which covers for a certain portion of the debt under the SPVs. Further, comfort is drawn from the competitive tariff offered by the project to the customer against the grid tariff rates. Moreover, the PPA would enable the customer to meet its renewable purchase obligations.

Timely payments by the customer – ZREPL have tied up PPA with TDK India Private Limited, which is a subsidiary of TDK Electronics. TDK electronics is promoted by TDK Corporation (rated Baa1 (positive) by Moody's) headquartered in Japan. The comfortable credit profile of the customer is expected to result in timely payments, as demonstrated so far.

Adequate debt coverage metrics and liquidity profile, despite moderation post refinancing – While the top-up term loan availed during the debt refinancing is likely to adversely impact the company's debt coverage indicators, they are expected to remain adequate and commensurate with the rating level, supported by the presence of PPAs at fixed tariff rates, a satisfactory generation performance and the long tenure of the project debt. However, any additional leveraging by the entity, impacting its debt coverage metrics would remain a key rating sensitivity. Also, the liquidity profile of the company is supported by the presence of DSRA equivalent to one quarter and timely payments from the customer.

Credit challenges

Vulnerability of cash flows to solar radiation – Given the single-part tariff under the PPA, the revenues and cash flows of the solar power project under ZREPL remain vulnerable to the actual generation, which in turn is exposed to the variability in solar radiation. This risk is amplified by the geographic concentration of the asset. While comfort is drawn from the performance so far for the 7 MW capacity, a demonstration of generation in line with or above the appraised estimate on a sustained basis remains a key monitorable for the entire 14 capacity.

Risk of cash flow mismatch owing to lower lock-in period under the PPAs in relation to debt tenure – The PPA signed by ZREPL has a lock-in period of 10 and 15 years against debt repayment tenure of ~19 and 20 years for the two loans availed respectively. Inability of the company to continue the PPA beyond the lock-in period or tie-up PPA with new customers, could lead to risk of cash flow mismatch for debt servicing. Also, the termination payments under the PPAs do not cover for the entire debt outstanding. Nonetheless, comfort can be drawn from the significant discount offered by the company to its customers against the grid tariff and the track record of the sponsor in securing PPAs with large industrial and commercial customers.

Exposed to interest rate risk – The interest rates on the term loans availed by the company for its projects is 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 as seen in the recent past.

Regulatory risks – The company's operations 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 & 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 position of ZREPL is expected to be adequate, with sufficient buffer between cash flows from operations and the debt repayment obligation. Moreover, the presence of a one-quarter DSRA and timely payments from the customer is expected to support the liquidity profile. The company had cash and liquid investments of Rs. 2.92 crore as on June 30, 2025 including DSRA of Rs. 0.85 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company is able to demonstrate a generation performance in line or higher than the historical average along with timely payments from the customer, leading to improvement in credit metrics. Also, the rating would remain sensitive to the credit profile of its parent, CIOA.

Negative factors – Pressure on the rating could arise if the generation performance of ZREPL remains below the appraised estimate on a sustained basis, adversely impacting the debt coverage metrics. Also, delay in payments from counterparty adversely impacting the liquidity profile of the company would be a negative trigger. Further, the rating would remain sensitive to the credit profile of its parent, CIOA. A specific credit metric for downgrade is the cumulative DSCR on the project debt falling below 1.15x.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar and Wind
Parent/Group support	The rating assigned to ZREPL factors in the implicit support from holding company, CIOA, with support expected to be forthcoming in case of any cash flow mismatch, given the cross-default linkages with CIOA and other SPVs of the group.
Consolidation/Standalone	Standalone

About the company

ZREPL is a subsidiary of CIOA, Singapore, wherein CIOA holds a 73.38% stake and the remaining 26.62% is held by the sole customer, TDK India Private Limited. CIOA is a 100% subsidiary of Cleantech Solar Asia Pte. Ltd. (CSA), which in turn is 75.5% owned by the Keppel consortium and 24.5% by Shell. CSA has a solar power portfolio of ~1,083 MWp across India, Thailand, Malaysia, Cambodia, Indonesia, Vietnam and Singapore.

ZREPL owns and operates a 7-MW (DC Capacity) solar power project in the Beed district of Maharashtra, which was commissioned on April 1, 2021. The company has also commissioned the 7-MW solar project on 30th September 2024, which is now fully operational. The company has signed a 25-year long-term PPAs with TDK India Private Limited for the entire capacity. As required under the group captive regulations, the customer has subscribed to the shareholding of the company.

Key financial indicators (audited)

ZRPL Standalone	CY2022	15M FY2024
Operating income	3.9	5.3
PAT	0.1	0.5
OPBDIT/OI	83.2%	84.8%
PAT/OI	2.8%	8.7%
Total outside liabilities/Tangible net worth (times)	2.3	1.9
Total debt/OPBDIT (times)	6.4	5.2
Interest coverage (times)	1.5	1.7

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

Note: ZREPL shifted its financial reporting from calendar year to financial year in the latest completed fiscal year. As a result, the company is reporting 15M financials for FY2024.

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							
				FY2026		FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Aug 26, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term loan	Long term	54.36	[ICRA]A- (Stable)	Apr-03-25	[ICRA]A- (Stable)	Sep-27-24	[ICRA]A- (Stable)	Jun-30-23	[ICRA]A- (Stable)	Apr-26-22	[ICRA]A- (CE) (Stable)
										Sep-23-22	[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**	NA	NA	FY2044	27.66	[ICRA]A- (Stable)
NA	**Term loan**	NA	NA	FY2045	26.70	[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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