

January 29, 2026

SAEL Solar MHP2 Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based – Term loans	1,100.00	1,100.00	[ICRA]BBB (Stable); reaffirmed
Total	1,100.00	1,100.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the rating factors in the partly commissioned project capacity of 156.88 MW, which is currently generating pre-commissioning revenue. The remaining capacity is expected to be commissioned by the end of March 2026. The rating continues to factor in high revenue visibility and low offtake risk for the 300 MW_{AC}/390-MW_{DC} solar power project of SAEL Solar MHP2 Private Limited (SSMHP2) because of the long-term (25 years) power purchase agreement (PPA) with Solar Energy Corporation of India Ltd (SECI; rated [ICRA] AAA/Stable/[ICRA]A1+) for the entire capacity at a fixed tariff of Rs. 2.6 per unit. The rating draws comfort from the presence of a strong counterparty like SECI and the payment security mechanism under the PPA, with a provision for letter of credit equal to average one-month billing. This, along with the superior tariff competitiveness of the project, mitigates the counterparty credit risk for the company.

The rating also factors in the expected managerial and financial support from the parent – SAEL Industries Limited (SIL) - in case of any requirement. SIL is promoted by the Awla family and has received investments worth \$ 165 million from Norwegian Investment Fund and US Development Finance Corporation Fund. It has a diversified renewable portfolio consisting of solar, storage, and waste-to-energy power projects. At present, SIL, through its various subsidiaries, has an operational portfolio of 1,884 MW (1,734 MW_{AC} solar and 150 MW waste-to-energy projects) and under-construction portfolio of 2,532 MW_{AC} (~2,517 MW_{AC} solar and 14.9 MW waste-to-energy projects), which is expected to be operational, as per the scheduled commissioning timelines through FY2026-FY2029. Additionally, SIL has around 1,350 MW_{AC} of project capacity which awaits PPA signing and includes 150 MW of battery energy storage projects, 600 MW of solar plus storage projects, and remaining 600 MW_{AC} of solar projects. The company also has an operational module manufacturing facility for a capacity of 3.7 GW, and plans to add 5 GW of Topcon cell capacity and a 5 GW module line by FY2028.

Further, the rating positively considers the low funding risk for the project as the entire debt funding (Rs. 1,100.0 crore) has been tied up with a long maturity profile and 100% promoter contribution (Rs. 449.44 crore) has been infused till date. Post commissioning, the company's debt coverage metrics are expected to be adequate with the cumulative debt service coverage ratio (DSCR) likely to remain around 1.27x over the debt tenure, supported by the long-term PPA, the long tenure of the debt and a competitive interest rate.

The rating is, however, constrained by execution-related risks associated with the successful commissioning of the balance capacity by the end of March 2026. Also, the company is currently evacuating power through a temporary general network access (GNA) route at 75% tariff of the PPA rate at around Rs. 1.95 per unit and generate pre-commissioning revenue for the commissioned capacity. The grid substation through which the project will be evacuating power is likely to be operational by the end of March 2026, and the extension approval from the SECI is linked to the operationalisation of the evacuation infrastructure. Risk pertains to the timely commissioning of the evacuation infrastructure and achieving timely commissioning as the debt repayment for the project begins in December 2026. Also, the company is yet to receive confirmation from the lender for funding the debt portion of the increased project cost due to delays in commissioning.

Further, the project's credit metrics would remain exposed to the movement in interest rates, given the fixed tariff under the PPA, a levered capital structure with the project cost being funded through debt to equity of 71:29 and a floating interest rate. Also, the company remains exposed to the regulatory challenges of implementing the scheduling and forecasting framework for the solar power sector.

The Stable outlook assigned to the long-term rating of the company factors in the expected timely commissioning of the project without any major cost overruns, supported by the long-term PPA with a strong counterparty, i.e., SECI, thereby providing revenue visibility, post commissioning.

Key rating drivers and their description

Credit strengths

Experienced promoter with a demonstrated track record in developing and operating renewable assets – SSMHP2 is a 100% subsidiary of SIL. SIL is promoted by the Awla family and has received investments from Norwegian Investment Fund and US Development Finance Corporation Fund. The company has a qualified and experienced management team with a track record in developing and operating renewable power projects across the country. The company currently has an operational capacity of around 1.8 GW and is expected to achieve an operational capacity exceeding 2 GW by the end of March 2026. In addition, it has another 3.7 GW under construction, which is expected to be commissioned in phases from FY2027 to FY2029.

Revenue visibility from long-term PPA with SECI at competitive tariff rate – SSMHP2 has signed a long-term (25 years) power purchase agreement (PPA) with SECI for the entire capacity at a fixed tariff of Rs. 2.60 per unit, providing high revenue visibility and ensuring low offtake risk for the 300 MW_{AC} solar power project. Moreover, the tariff offered by the project remains highly competitive in relation to the average power purchase cost of the state discom with whom the power sale agreement has been tied up.

Low counterparty risk – The rating draws comfort from the presence of a strong counterparty like SECI and the payment security mechanism under the PPA, with a provision for letter of credit equal to average one-month billing. The counterparty risk remains low as SECI has a strong credit profile and is under the administrative control of the Ministry of New and Renewable Energy, Government of India. Further, the additional provisions in the PPA related to compensation in case of grid curtailment or backdown and the termination liability provide comfort. These factors, along with the superior tariff competitiveness of the project, mitigate the counterparty credit risk for the company.

Adequate debt coverage metrics – SSMHP2's debt coverage metrics are expected to be adequate with the cumulative DSCR estimated at around 1.27x over the debt tenure, supported by the availability of a long-term PPA, the long tenure of the debt and competitive interest rates. Additionally, the liquidity profile of the company is expected to be supported by the presence of a two-quarter debt service reserve over the tenure of the term loan, post commissioning. Also, SIL is expected to extend funding support in case of any cash flow mismatch.

Credit challenges

Project execution risks – SSMHP2 remains exposed to execution related risks as work is pending for full commissioning of the remaining capacity by March 2026. At present, power is being evacuated through a temporary GNA arrangement at 75% of the PPA tariff, yielding a realisation of approximately Rs. 1.95 per unit and enabling pre-COD revenue generation from the commissioned portion. The GSS is expected to become operational by the end of March 2026, and SECI's approval to extend the COD is already linked to the operationalisation of the evacuation infrastructure. A key risk arises from the timely completion of the evacuation infrastructure, given that debt repayment for the project is scheduled to commence in December 2026.

Debt metrics of solar projects sensitive to PLF levels and interest rates – The company's revenues and cash flows, post commissioning, will remain sensitive to weather variability and seasonality due to the single-part fixed tariff structure under the PPA. Any adverse deviation in weather conditions and/or solar module performance may reduce the power generation

and consequently weaken the cash flows. The geographic concentration of the asset further heightens the generation risk, making the project’s ability to consistently achieve the design P-90 PLF critical. Additionally, the company’s capital structure is leveraged, as the project has been developed through debt-funded capital expenditure. As a result, the debt coverage metrics remain exposed to interest rate movements, given the fixed tariff under the PPA and floating interest rates for the project.

Regulatory risks – The company’s operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the variable nature of solar power generation.

Liquidity position: Adequate

The liquidity position of SSMHP2 is supported by the infusion of equity/promoter contribution and the debt tie-up for the project. The entire promoter contribution of Rs. 449.44 crore had been infused in the company. Also, the company has drawn ~80% of the sanctioned term debt as on November 17, 2025. Post commissioning, the liquidity of the company is expected to be supported by the presence of a two-quarter debt service reserve, with one quarter being funded upfront. At present, the SPV has encumbered cash balances of around Rs. 31 crore. Also, the company is expected to generate adequate cash flow from operations against an annual debt repayment obligation of ~Rs. 105.9 crore in FY2027. In case of any exigencies, SIL is expected to support the company for any cash flow mismatches.

Rating sensitivities

Positive factors – ICRA could upgrade the company’s rating if the project achieves timely commissioning without any major cost overruns, along with the demonstration of a generation performance in line or above the P-90 estimates, post commissioning, resulting in comfortable debt coverage metrics. Further, ICRA could upgrade the company’s rating if the credit profile of the parent improves.

Negative factors – The rating could be downgraded if there are significant delays in commissioning the project beyond the SCOD, resulting in cost overruns, or if the generation performance remains below the P-90 level, post commissioning, adversely impacting the debt coverage metrics. A specific credit metric for downgrade is the cumulative DSCR falling below 1.10 times on a sustained basis. The rating could also be revised downwards if the credit profile of the parent weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar and Wind
Parent/Group support	Parent Company: SAEL Industries Limited ICRA expects SSMHP2’s parent, SAEL Industries Limited, to extend financial support to SSMHP2, should there be a need.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

SAEL Solar MHP2 Private Limited (SSMHP2) is a wholly-owned subsidiary of SAEL Industries Limited. The SPV is developing a 300 MW (AC) / 390-MW (DC) solar power project at Diguvakalavatala in Cuddapah district of Andhra Pradesh and has signed a 25-year PPA at a tariff of Rs. 2.60/unit with SECI for power offtake. The project is connected to the Kurnool III grid substation and has commissioned a part project capacity of 156.88 MW. The remaining capacity is expected to be commissioned by the end of March 2026.

Key financial indicators (audited) - Not meaningful as project is under construction

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)	Jan 29, 2026	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	1,100	[ICRA]BBB (Stable)	Mar 21, 2025	[ICRA]BBB (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Term loans	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	December 2024	NA	FY2045	1,100.00	[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 – Not Applicable

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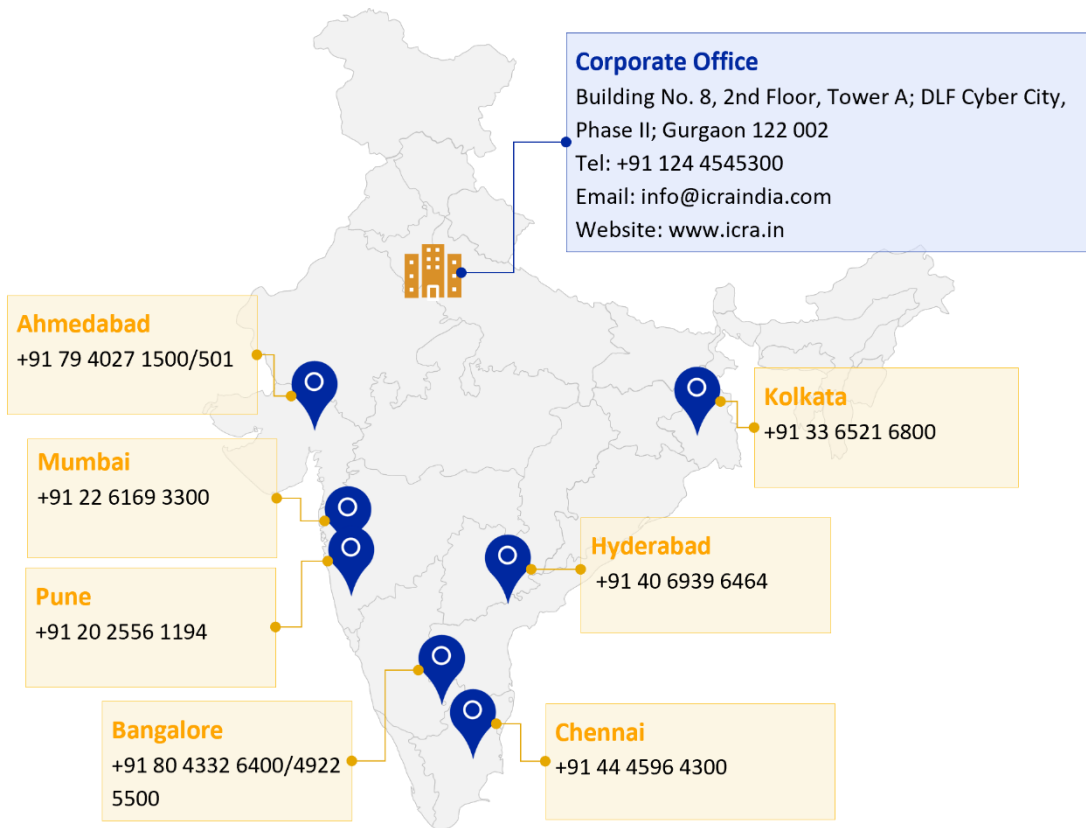
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