

April 07, 2026

Kushtagi Solar Power Private Limited: Rating upgraded to [ICRA]A- and outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based – Term loan	54.06	54.06	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Negative) and outlook revised to Stable from Negative
Total	54.06	54.06	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade factors in a revision in the analytical approach, with Kushtagi Solar Power Private Limited 's (KSPPL) rating now assessed after factoring in the implicit support from the consolidated assessment of the two SPVs (Capsol Energy Private Limited (CEPL) and KSPPL, collectively referred to as pool) without factoring in the credit profile of the parent, Radiance Renewable Private Limited (RPPL). This follows ICRA's understanding from relevant stakeholders that the cross-default provisions are not intended to trigger acceleration of the SPV-level debt obligations in the event of a default at the parent level. Both the SPVs, CEPL and KSPPL, are operational with a cash flow generating track record and has long-term revenue visibility assured, given the availability of long-term power purchase agreements (PPAs) with industrial customers. Hence, a deterioration in the parent's credit profile will not likely impact the credit profile of the SPVs.

The rating approach of assessing KSPPL's rating after factoring in the implicit support from the consolidated assessment of the pool is in line with ICRA's methodology on rating co-obligor structures without any predefined mechanism for sharing of surplus cash flows prior to the due date of debt servicing among the cash pooling SPVs. The two SPVs have cross-default linkages between them and together operate ~33 MWp of solar power capacity.

The company benefits from being part of a cash pooling mechanism with the other SPV in the pool i.e., CEPL, wherein surplus cash from either of the SPVs can be used to meet the shortfall in debt servicing obligations for the other SPV. The rating 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. KSPPL has signed 25-year long-term PPAs with three customers – Indo-MIM Private Limited {IMPL; rated [ICRA]AA+ (Stable)}, Big Bags International Private Limited {BBIPL; rated [ICRA]A (Stable)/[ICRA]A1} and Toyota Tsusho India Private Limited (TTIPL) - for 13.3 MW of the 15-MW solar power project commissioned in March 2018, thereby mitigating the offtake and price risks to some extent. The remaining 1.7 MW has been tied up with a one-year PPA with Nestle India Limited (NIL), exposing this capacity to demand and tariff risks post the PPA period, if not renewed. Further, the prevailing tariffs remain competitive due to certain exemptions in the applicable regulatory charges available to the offtakers till March 2028. Thus, the company's ability to form a cost-reflective tariff at the end of the lock-in period will remain a key monitorable from a credit perspective. The rating also factors in the satisfactory credit profile of the customers, leading to timely payments.

ICRA takes note of the satisfactory track record of operations for the pool. The DC plant load factor (DC PLF) of the pool for the trailing 12 months (TTM) ended January 2026 is 16.42% against a P-90 estimate of 16.95%. The shortfall was primarily due to irradiation volatility and module degradation, despite healthy machine and grid availability. Nonetheless, the generation remains close to the P-90 estimate, leading to comfortable debt coverage metrics.

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. This is amplified by the geographic concentration of the asset as the entire capacity is in Karnataka. 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. Nonetheless, comfort can be drawn from the competitive tariffs offered by the project, the track record of the sponsor in securing PPAs with large C&I customers and the notice period at the time of PPA termination to enable the company to replace the customers.

ICRA also takes note that the pool's debt coverage metrics are exposed to the adverse variation in interest rates, given the leveraged capital structure. Also, the pool would remain exposed to the variation in open access charges or regulations, which may impact the landed cost of electricity for the group captive consumers.

The Stable outlook reflects ICRA's opinion that the company would benefit from the long-term PPAs, the satisfactory generation performance and the strength of the offtakers, which is expected to keep its debt protection metrics at comfortable levels.

Key rating drivers and their description

Credit strengths

Access to cash surplus from cash pooling mechanism with CEPL – The company benefits from being part of a cash pooling mechanism with CEPL, wherein surplus cash from either of the SPVs can be used to meet the shortfall in debt servicing obligations for the other SPV. This pool has two solar power assets aggregating to 32.97 MWp, distributed in Tamil Nadu (CEPL) and Karnataka (KSPPL).

Long-term PPAs with offtakers having satisfactory credit profiles mitigate offtake, counterparty and price risks – KSPPL has long-term PPAs in place for 25 years with a lock-in period of 10 years with three C&I customers, IMPL, BBIPL and TTIPL, which mitigate the offtake and price risks to some extent, thus providing visibility to stable cash flows in the long term. However, 1.7 MW has been tied up with a one-year PPA with NIL, exposing this capacity to demand and tariff risks post the PPA period, if not renewed. The contracted tariff is lower than the prevailing grid tariff, leading to cost saving for every unit of electricity consumed by the group captive consumers. Further, all the offtakers have satisfactory credit profiles. Additionally, comfort is also drawn from the timely realisation of invoices for KSPPL and CEPL, in line with PPA terms, in the last 12 months ended January 2026.

Comfortable debt coverage metrics – The company's debt coverage metrics are expected to remain comfortable over the repayment tenure, supported by the long-term PPAs at reasonable tariffs and the long tenure of the refinanced project debt. Further, the company has secured debt at a fixed interest rate for the initial four years following the refinancing in FY2023, mitigating its exposure to the interest rate movement in the near term.

Credit challenges

Risk of cash flow mismatch from shorter PPA lock-in period than debt tenure – The PPAs have a lock-in period of 10 years (residual lock-in period of ~2 years) against a residual debt tenure of ~12 years, giving rise to risks associated with PPA renewal and cash flow mismatch. Also, the termination payments under the PPAs do not cover the entire debt outstanding. Nevertheless, 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. Further, the notice period at the end of the lock-in period ensures sufficient cushion in time to re-negotiate or replace the customers.

Cash flows exposed to vulnerability of solar irradiance levels and interest rate environment – The power production and cash flow generation of solar power projects are contingent upon the solar irradiance levels. Given the fixed part nature of the tariff, any adverse variation in the irradiance levels could constrain the cash flows. Nevertheless, comfort can be drawn from the satisfactory performance of the pool so far. The debt coverage metrics are also exposed to the adverse variation in interest rates on loans.

Regulatory risks - The company is exposed to industry-specific risks, such as regulatory risks on account of changes in transmission/wheeling charges or losses/banking norms, etc., which may impact the landed cost of electricity for captive consumers, i.e., the tariff competitiveness. At present, the PPA tariff for the power supplied by KSPPL is at a discount to the grid tariff for the customers, thus providing economic benefit to them and offering some comfort. Additionally, while the prevailing tariffs remain competitive due to certain exemptions in the applicable regulatory charges available to the offtakers till March 2028, the company’s ability to form a cost-reflective tariff at the end of the lock-in period will remain a key monitorable from a credit perspective.

Liquidity position: Adequate

The liquidity profile of KSPPL is expected to remain Adequate, with a DSRA of two-quarters’ debt obligations in place (Rs. 6.48 crore in form of fixed deposits) and an unencumbered cash & bank balance of Rs. 2.57 crore as on February 28, 2026. The liquidity is aided by positive cash flow from operations on the back of the long-term PPA at a fixed rate for the solar power projects and expectation of timely receipt of payments from the customers. Further, the cash pooling arrangement between CEPL and KSPPL provides additional liquidity comfort.

Rating sensitivities

Positive factors – ICRA could upgrade KSPPL’s rating if the actual generation level consistently exceeds the P-90 estimates and the collections remain timely on a sustained basis, leading to healthy credit metrics.

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 1.15 times. 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 PPAs are renewed at substantially lower tariffs post lock-in period/unavailability of regulatory charge exemptions, leading to deterioration in coverage metrics for KSPPL.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar and Wind
Parent/Group support	The rating assigned factors in the presence of surplus cash sharing and cross-default linkages between the two SPVs of the Group, namely – Capsol Energy Private Limited and Kushtagi Solar Power Private Limited. The rating for KSPPL has been arrived at by following the analytical steps: 1. An assessment of the standalone credit profile of KSPPL 2. An assessment of the pool’s credit profile by undertaking a consolidated assessment of the two SPVs (CEPL and KSPPL) in view of the linkages between them 3. The final rating of KSPPL is arrived at by suitably notching up the standalone rating after duly considering the pool’s rating and the linkages between the standalone entity and the Pool
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

KSPPL is an SPV established to set up a solar PV power plant at Kushtagi in the Koppal district of Karnataka. The company received a commissioning certificate on March 29, 2018, and commenced power generation with partial installation of the modules initially. At present, it has a capacity of 15 MW (21 MWp). KSPPL has signed PPAs with C&I parties to sell power through open access agreements for a period of 25 years. Radiance Renewables Private Limited (RRPL) has acquired the entire shareholding of KSPPL. RRPL is owned by GGEF, which has India's NIIF and FCDO of the UK Government as the anchor investors.

Key financial indicators (audited)

KSPPL Standalone	FY2024	FY2025
Operating income	15.80	14.58
PAT	2.38	1.38
OPBDIT/OI	86.2%	82.8%
PAT/OI	15.1%	9.5%
Total outside liabilities/Tangible net worth (times)	-15.7	-20.0
Total debt/OPBDIT (times)	6.4	6.6
Interest coverage (times)	1.6	1.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2027)				Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Apr 07, 2026	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	54.06	[ICRA]A- (Stable)	July 31, 2025	[ICRA]A- (Negative)	Dec 31, 2024	[ICRA]A (Stable)	Nov 30, 2023	[ICRA]A (Stable)
				Jan 20, 2026	[ICRA]BBB+ (Negative)				

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	Dec 2022	NA	Mar 2038	54.06	[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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