July 12, 2024

Nisagra Renewable Energy Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	275.00	238.21	[ICRA]A+(Stable); reaffirmed
Total	**275.00**	**238.21**	

**Instrument details are provided in Annexure-1*

Rationale

The reaffirmation of the rating assigned to Nisagra Renewable Energy Private Limited (NREPL) factors in the long-term power purchase agreements (PPAs) with Maharashtra State Electricity Distribution Company Limited (MSEDCL) at a fixed tariff of Rs. 3.15 per unit for its 70 MW solar power capacity, providing visibility on revenues. The rating also factors in the satisfactory generation performance of the project with the average PLF since commissioning remaining close to the P-90 estimate. While the generation performance of the project remained lower in FY2024 compared to FY2023 and marginally below the module degradation adjusted P-90 estimate on account of lower solar radiation, the cash accruals remained comfortable in relation to the debt servicing requirement. Going forward, the company's debt coverage metrics are expected to be healthy with the cumulative debt service coverage ratio (DSCR) on the external debt estimated at ~1.4 times over the debt tenure, supported by satisfactory generation performance and availability of debt at a competitive cost.

Further, ICRA notes that the company has secured additional tariff as approved by the Maharashtra Electricity Regulatory Commission (MERC) under change-in-law, in lieu of the safeguard duty imposed on imported solar modules. The company has been receiving payments in a timely manner from MSEDCL, including the supplementary invoices. Also, the rating favourably considers the cost competitive tariff rate offered by the project, which is lower than the average power procurement cost (APPC) of MSEDCL. Further, the company has been accredited with Gold Standard[1], making it eligible to obtain voluntary emission reductions (VERs), bringing in additional income.

The rating also draws comfort from an experienced management team and the ultimate sponsor, AT Holdings Pte. Ltd. (ATH), Singapore, which has a track record in developing and operating renewable power projects in India. ATH has promoted Juniper Green Energy Private Limited (JGEPL), which is the holding company for NREPL. JGEPL has a renewable power portfolio of 927.2 MW, with an operational capacity of 704 MW (76%) and the remaining 222.9 MW (24%) under construction. The Group has another 1,215 MW in the pipeline.

The rating, however, is constrained by the vulnerability of NREPL's cash flows to weather conditions and module performance, as the revenues are linked to actual generation because of the single-part PPA tariff. Nonetheless, the geographical diversification with the project being spread across seven locations in Maharashtra and the satisfactory performance so far provides some comfort.

Additionally, the rating remains constrained by the counterparty credit risk arising from the exposure to a single buyer, MSEDCL. The financial profile of MSEDCL is constrained by the losses at the net level, the high receivable and regulatory asset position and the modest debt coverage metrics. Nevertheless, the payments have remained timely since commissioning and MSEDCL has created payment security in the form of letter of credit (LC). Further, NREPL's debt coverage metrics remain exposed to the interest rate movement, given the fixed tariff under the PPAs and the leveraged capital structure. Nonetheless, this is mitigated over the near to medium term, with the interest rate remaining fixed for a period of 5 years from April 2022.

1Gold Standard was established in 2003 by World Wide Fund for Nature (WWF) and other international NGOs to ensure projects that reduced carbon emissions featured the highest levels of environmental integrity and contributed to sustainable development

The Stable outlook assigned to the rating factors in the long-term PPAs with MSEDCL, the timely payments by the offtaker and the satisfactory generation performance.

Key rating drivers and their description

Credit strengths

Presence of long-term PPAs at competitive tariff - NREPL has signed long-term PPAs with MSEDCL for the entire project capacity of 70 MW at a fixed tariff of Rs. 3.15 per unit for a tenure of 25 years, thus limiting the demand and tariff risks. The company also secured additional tariff from MSEDCL under change-in-law, in lieu of the safeguard duty imposed on imported solar modules. The additional tariff is reimbursed on the basis of the actual DC:AC ratio of the project. The tariff remains competitive for the offtaker, namely MSEDCL, in comparison to its average power procurement cost.

Satisfactory generation performance, post full commissioning - The 70-MW solar power capacity under NREPL achieved commercial operations between December 2019 and March 2020. The performance remained satisfactory, with the average PLF since full commissioning being close to the P-90 estimate. While the average PLF declined in FY2024 from FY2023 and marginally below the P-90 estimate (adjusted for module degradation), the cash accruals remained comfortable in relation to the debt obligation for the year.

Project expected to achieve healthy debt coverage metrics – The company's debt coverage metrics are expected to remain healthy with the cumulative DSCR over the debt tenure at 1.4 times, supported by the long-term PPAs at reasonable tariffs, the long tenure of the project debt, the highly competitive interest rate and additional cash inflows from the sale of VERs. Also, the liquidity profile is expected to be supported by timely payments from MSEDCL and the provision for a two-quarter debt service reserve.

Experienced management team and past track record in renewable projects - NREPL is a subsidiary of JGEPL, which is promoted by ATH. The sponsor has a track record of developing and operating renewable power projects in India. ATH had earlier promoted the renewable energy portfolio of around 1 GW under the Orange Group. This platform was subsequently sold to the Greenko Group in FY2019. At present, JGEPL has an operating renewable portfolio of 704 MW and assets under construction of 222 MW, with another 1,215 MW in the pipeline.

Credit challenges

Sensitivity of debt metrics to energy generation –The debt metrics of solar power projects under NREPL remain sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or module performance may impact the PLF and consequently the cash flows. Nonetheless, the geographic diversification with the project being spread across even locations in Maharashtra provides some comfort. Also, comfort can be drawn from the satisfactory generation performance so far.

Counterparty credit risk due to exposure to MSEDCL - The company remains exposed to counterparty credit risks due to its exposure to a single buyer, namely MSEDCL. The financial profile of MSEDCL is constrained by its weak profitability, high receivable position and modest debt coverage metrics. Nonetheless, the realisation of payments has remained timely so far and MSEDCL has also created a payment security in the form of letter of credit (LC).

Interest rate risk –The company's leveraged capital structure and fixed tariff under the PPAs exposes its debt coverage metrics to the interest rate movement. While the interest rate on the long-term loan is fixed for a period of five years, the company can be potentially exposed to increase in the interest rate after this five-year period. Further, as per the terms of the term loan facility, there is a put option available to the lender post the completion of the 15th year from the initial disbursement date, exposing the company to refinancing risk. Nonetheless, the availability of an adequate tail period in the PPA is expected to mitigate this risk.

Liquidity position: Adequate

NREPL's liquidity position is expected to be adequate with sufficient buffer between the cash flow from operations and debt service obligations. The company is expected generate cash flow from operations of Rs. 45 crore against a debt servicing obligation of Rs. 32.2 crore in FY2025. Further, comfort is drawn from the provision of a debt service reserve of two quarters in the form of bank guarantees and cash & bank balances of Rs. 16.0 crore as on June 30, 2024.

Rating sensitivities

Positive factors – ICRA could upgrade NREPL's rating if its generation performance is better than the P-90 estimate on a sustained basis and the payments from the offtaker are timely.

Negative factors – Pressure on NREPL's rating could arise if the generation performance is below the P-90 estimate, which will weaken the cumulative DSCR on the project debt to less than 1.30 times on a sustained basis. Also, delays in realisation of payments from the offtaker adversely impacting NREPL's liquidity profile would be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Power-Solar
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

NREPL is operating a 70.0-MW (AC) solar power capacity across seven locations in Maharashtra. The project was commissioned between December 2019 and March 2020. NREPL is promoted by JGEPL, which has an operational portfolio of 704-MW solar capacity and under-development capacity of 222 MW. The O&M of the project is handled by Ganges Internationale Pvt Ltd. The modules for the project are sourced from Trina Solar and the inverters from Huawei.

Key financial indicators (Audited)

NREPL Standalone	FY2022	FY2023	FY2024^
Operating income (Rs. crore)	57.8	57.0	54.5
PAT (Rs. crore)	7.4	10.9	13.9
OPBDIT/OI (%)	89.7%	86.4%	85.7%
PAT/OI (%)	12.8%	19.2%	25.4%
Total outside liabilities/tangible net worth (times)	3.3	2.7	2.4
Total debt/OPBDIT (times)*	5.3	5.3	5.3
Interest coverage (times)	1.8	1.7	2.1

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation ^Provisional; *Debt includes lease liabilities*

Status of non-cooperation with previous CRA: Not Available

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date& rating in FY2023	Date& rating in FY2022
				July 12, 2024	July 14, 2023	June 30, 2022	Sep 13, 2021
1	Term loans	Long term	238.21	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
2	Issuer rating	Long term	-	-	-	-	[ICRA]A (Stable) Withdrawn

Complexity level of the rated instrument

Instrument	Complexity Indicator
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**	April 2022	-	FY2040	238.21	[ICRA]A+ (Stable)

Source: *Company*

Annexure II: List of entities considered for consolidated analysis: Not applicable.

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About ICRA Limited:

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