October 03, 2024

SolarCraft Power India 9 Private Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Term loan	418.00	[ICRA]A- (Stable); assigned
Total	**418.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating factors in the high revenue visibility and low offtake risk for the 120-MWAc solar power project of SolarCraft Power India 9 Private Limited (SC 9) because of the long-term (25 years) power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Ltd (GUVNL; rated [ICRA] AA-/Stable/[ICRA]A1+) for the entire capacity at a fixed tariff of Rs. 2.51 per unit. The rating draws comfort from the presence of a strong counterparty like GUVNL and the payment security mechanism under the PPA, with a provision for letter of credit equal to average one-month billing. 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.

The rating further derives comfort from the presence of an experienced sponsor in the form of the Blupine Energy Pvt Ltd (BEPL), which is held by Actis PE (Actis) through its Actis Energy-5 fund. Actis is a UK-based private equity firm with investments in India, China, Africa and Southeast Asia. In India, it has efficiently managed renewable investment platforms like Ostro and Sprng in the past.

SC 9's debt coverage metrics are expected to be adequate with the cumulative debt service coverage ratio (DSCR) at above ~1.3x over the debt tenure, post project commissioning, supported by the long-term PPA, the long tenure of the debt and competitive interest rate. Also, the liquidity profile of the company, after commissioning, is likely to be supported by the presence of a two-quarter debt service reserve with one quarter being funded upfront, and the expectation of timely payments from the customer.

However, the project remains exposed to stabilisation risks as it is in the early stage of its operational lifecycle, with expected commissioning in October 2024. Timely stabilisation and demonstration of generation performance in line with the P-90 estimate remain important from a credit perspective. The company's revenues and cash flows would remain sensitive to the variation in weather conditions and seasonality because of the single-part fixed tariff under the PPA. Therefore, the ability of the project to achieve the design P-90 PLF on a sustained basis remains crucial from a credit perspective.

Further, the project credit metrics would remain exposed to the movement in interest rates, given the fixed tariff under the PPA, the floating interest rate and a leveraged capital structure with the project cost being funded through a mix of debt and equity. 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 is supported by the long-term PPA in place for the entire capacity providing revenue visibility and a strong counterparty, i.e., GUVNL.

Key rating drivers and their description

Credit strengths

Experienced sponsor with a demonstrated track record in developing and operating renewable assets – SC 9 is ultimately held by Actis PE (Actis) through BEPL, which has committed to an investment of $800 million in India for the development of around 4 GW of renewable power projects through its energy fund (Actis Energy-5). Actis is a UK-based private equity firm with investments in India, China, Africa and Southeast Asia. The investments by Actis are spread across diverse sectors, such as real estate, long life infrastructure, energy infrastructure, digital infrastructure, etc. In India, it has efficiently managed renewable energy platforms like Ostro (1.1 GW) and Sprng (2.4 GW) in the past. At present, BEPL has an operational capacity of around ~845 MWAC and under-development capacity of more than 2.1 GW, which is expected to be commissioned by FY2026/FY2027.

Revenue visibility from long-term PPA with GUVNL at competitive tariff rate – SC 9 has signed a long-term (25 years) power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Ltd (GUVNL; rated [ICRA] AA-/Stable/[ICRA]A1+) for the entire capacity at a fixed tariff of Rs. 2.51 per unit, providing high revenue visibility and ensuring low offtake risk for the 120- MWAc solar power project. The tariff offered by the project remains highly competitive in relation to the average power purchase cost of GUVNL.

Low counterparty risk – The rating draws comfort from the presence of a strong counterparty like GUVNL and the payment security mechanism under the PPA, with a provision for letter of credit equal to average one-month billing. 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.

Comfortable debt coverage metrics and liquidity profile – SC 9's debt coverage metrics are expected to be adequate with the cumulative DSCR estimated at ~1.3x over the debt tenure, supported by the availability of long-term PPA, the long tenure of the debt and competitive interest rates. 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. Additionally, BEPL is expected to extend funding support in case of any cash flow mismatch.

Credit challenges

Stabilisation risks associated with the early stages of commercial operations - The project remains exposed to stabilisation risks as it is in the early stage of its operational lifecycle. The project is expected to achieve commissioning by October 2024. A timely stabilisation and demonstration of generation performance in line with the P-90 estimate remains important from a credit perspective.

Debt metrics of solar projects sensitive to PLF levels - The company's revenues and cash flows would remain sensitive to the variation in weather conditions and seasonality because of the single-part fixed tariff under the PPA. Any adverse variation in weather conditions and/or module performance may impact the power generation and consequently the cash flows. The geographic concentration of the asset amplifies the generation risk. Therefore, the ability of the project to achieve the design P-90 PLF on a sustained basis remains crucial.

Exposed to interest rate risks - The interest rate on the term loan availed by the company for its project is floating and subject to regular resets. The fixed tariff under the PPA and a leveraged capital structure expose SC 9's debt coverage metrics to the movement in interest rates.

Regulatory risks - The company's operations are exposed to regulatory risks pertaining to the scheduling and forecasting requirements of solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects.

Liquidity position: Adequate

The liquidity position of SC 9 is supported by the infusion of equity/promoter contribution and the debt tie-up for the project. The entire promoter contribution had been infused in the company as on July 31, 2024, and ~72% of the sanctioned term had been utilised. The sponsor is expected to support the project in case of any cost overrun. Moreover, the company does not have any debt repayment obligation in FY2025 and is expected to generate adequate cash flow from operations against an annual debt repayment obligation of Rs. 11.7 crore in FY2026.

Rating sensitivities

Positive factors – A demonstration of generation performance in line with or above the P-90 level, along with timely payments from the offtaker, resulting in comfortable debt coverage metrics, could lead to a rating upgrade. Further, ICRA could upgrade SC 9's rating if the credit profile of the parent improves.

Negative factors – The rating can be downgraded if the generation performance of the company remains below the P-90 level, adversely impacting the debt coverage metrics. A specific credit metric for downgrade is the cumulative DSCR falling below 1.15 times on a sustained basis. Further, any large delays in realising payments from the offtaker, adversely impacting the liquidity profile of the company, will be a negative factor. 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](#)
Parent/Group support	The rating is based on the implicit support from the parent company, Blupine Energy Private Limited
Consolidation/Standalone	The rating is based on the standalone financials of the company.

About the company

SC 9, incorporated in June 2022, is a special purpose vehicle (SPV) promoted by Blupine Energy Private Limited (BEPL). BEPL is the renewable energy platform promoted and wholly owned by Actis Energy Fund-5, which is a part of UK-based Actis Private Equity Fund. The SPV is developing a 120 MW (AC)/162-MW (DC) solar power project in Gujarat at a total cost of ~Rs. 555 crore and has signed a 25-year PPA with GUVNL for power offtake.

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 (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Oct 03, 2024	Date	Rating	Date	Rating	Date	Rating
Term loan	Long Term	418.00	[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	NA	418.00	[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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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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