

November 11, 2024

Growth Street Solar Private Limited: Ratings upgraded to [ICRA]A- (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	16.00	16.00	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Stable)
Total	16.00	16.00	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade for Growth Street Solar Private Limited (GSSPL) factors in the improvement in collection period for CY2024, driven by the offtaker's timely payment of dues and reduction in debtor amount. This has strengthened cash flow predictability, which have improved overall liquidity profile. The rating also factors in the strengths arising from the company's parentage as it is a part of the Cleantech Solar Group, which has reputed sponsors like Keppel Corporation and Shell Plc, along with an experienced management, established track record in developing and operating solar power projects and a diversified solar project portfolio of over ~1082 MW tied up with large commercial & industrial customers. There are cross-default linkages among the various special purpose vehicles (SPVs) of the Group in India, held by Cleantech India OA Pte. Ltd. (CIOA) under the co-obligor structure of the project debt financing.

The rating favourably factors in the long-term power purchase agreement (PPA) signed by GSSPL with Bangalore Electricity Supply Company Limited (BESCOM), at a fixed tariff, thereby limiting the demand and pricing risks for its 4.51-MW solar power project. The tariff under the PPA remains lower than the average power purchase cost of BESCOM. The rating also factors in the satisfactory generation performance of the company since April 2021, with the PLF remaining in line or above the P-90 estimate. Going forward, the debt metrics are expected to remain adequate, supported by the PPA at a fixed tariff rate, the long tenure of the project debt and competitive interest rates.

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 the generation and consequently the cash flows. The rating is also constrained by the counterparty credit risks arising from the exposure to BESCOM, wherein there have been delays in receiving payments and the current overdue position is 15 months. Nonetheless, the liquidity profile of the company is supported by the two-quarter debt service reserve (DSRA) and the support received from the sponsor. Going forward, improvement in collections from BESCOM remains a key monitorable for the company.

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 tariff under the PPA. This risk is partly mitigated by the fixed interest rate for the debt availed by the company for a period of five years. Further, the company remains exposed to regulatory risks associated with forecasting & scheduling regulations for solar power projects in Karnataka, considering the variable nature of solar energy generation.

The Stable outlook assigned to the long-term rating of GSSPL factors in the steady revenue visibility, aided by the long-term PPA, satisfactory generation performance and adequate liquidity position of the company.

Key rating drivers and their description

Credit strengths

Strengths by virtue of being part of Cleantech Solar Group – GSSPL is part of the Cleantech Solar Group, which in turn is promoted by the Keppel consortium and Shell Plc. The platform benefits from a diversified portfolio of over ~1082 MW across seven countries in South Asia and the presence of strong shareholders, who are focused on growing their renewable energy portfolio. GSSPL is expected to receive support from the Group, in case of any exigency, given the cross-default linkages with the parent, CIOA and other group SPVs under the co-obligor structure.

Low offtake risk with presence of long-term PPAs with C&I customers at highly competitive tariffs - GSSPL has low offtake risks with the presence of a long-term (25-year) PPA at a fixed tariff for the entire duration of the project with BESCOM. The long-term PPA provides revenue visibility for the company.

Significant improvement in the payment cycle from BESCOM, resulting in an improvement in liquidity position – Timely payment of dues by the offtaker in the CY2024 has strengthened cash flow predictability, which have improved overall liquidity profile of GSSPL.

Adequate debt coverage metrics and liquidity profile – The debt coverage metrics for GSSPL are expected to be adequate, supported by the long-term PPA at an attractive rate, satisfactory generation performance, long tenure of the debt and competitive interest rates. Also, the liquidity profile of the company is supported by DSRA equivalent to two quarters.

Credit challenges

Counterparty credit risk owing to exposure to Karnataka state utility - As BESCOM offtakes the entire quantum of the power generated, the company remains exposed to the state utility's moderate credit risk profile. While the collections from BESCOM remained timely till March 2021, there have been delays in receiving payments. . During FY2025 the payment have been timely, and all outstanding payments has been cleared till May 2024. The improvement in the payment pattern will remain a key monitorable, going forward.

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 GSSPL 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 assets in Karnataka. While comfort is drawn from the performance so far, a generation performance in line or above the appraised estimate on a sustained basis remains a key monitorable.

Exposed to interest rate risk – Given the fixed tariffs under the PPA and the leveraged capital structure, the debt coverage metrics remain exposed to the movement in interest rates. However, this risk is partly mitigated for GSSPL as the interest rate is fixed for a period of five years on the loan availed.

Regulatory risks - The company's operations remain exposed to regulatory risks pertaining to the 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.

Liquidity position: Adequate

The liquidity position of GSSPL is expected to be adequate, supported by the satisfactory generation performance, availability of liquidity buffer in the form of DSRA and funding support from the sponsor, whenever required. The improvement in payment timelines from BESCOM remains a key monitorable, going forward. The company had cash and liquid investments of Rs. 5.24 crore as on September 30, 2024, including DSRA of Rs. 1.28 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 appraised estimate along with the improvement in the payment cycle from the customer, leading to an improvement in the 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 GSSPL remains below the appraised estimate on a sustained basis, adversely impacting the debt coverage metrics. Also, continued delays in payments from the counterparty adversely impacting the liquidity profile is another 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 Rating Methodology for Power - Solar
Parent/Group support	The rating assigned to GSSPL 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

Growth Street Solar Private Limited (GSSPL) is a wholly-owned subsidiary of CIOA, Singapore. 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.

GSSPL owns and operates a 4.51-MW (DC Capacity) solar power project in Harapanahalli Taluk, Davanagere district, Karnataka. The 4.51-MW project was fully commissioned on December 26, 2017. The company has a 25-year long-term PPA with BESCOM at a fixed tariff for the entire tenor of the PPA.

Key financial indicators (audited)

Standalone	CY2022	15M FY2024
Operating income	2.8	3.8
PAT	(1.0)	(0.1)
OPBDIT/OI	75.4%	84.9%
PAT/OI	-36.8%	-3.8%
Total outside liabilities/Tangible net worth (times)	(52.7)	8.1
Total debt/OPBDIT (times)	11.8	7.7
Interest coverage (times)	0.8	1.2

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: The company 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 (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Nov 11, 2024	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	16.00	[ICRA]A-(Stable)	20-Oct-23	[ICRA]BBB+(Stable)	21-Oct-22	[ICRA]BBB+(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	August 2021	NA	FY2036	16.00	[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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