July 24, 2026

REL Wardha Solar Project 4 Private Limited: [ICRA]A- (Stable); assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long-term – Fund-based – Term loan	88.84	[ICRA]A- (Stable); assigned	RBI
Total	**88.84**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

ICRA's rating assignment for the bank facilities of REL Wardha Solar Project 4 Private Limited (RWSP4PL) factors in a standalone assessment of its business and financial risk profile, while also deriving strength from the demonstrated financial flexibility and support from its parent, Hexa Climate Solutions Private Limited (HCSPL), which is ultimately backed by private equity firm, I Squared Capital (ISQ). ISQ has committed a capital of ~USD 481 million towards this platform, of which ~USD 169 million has already been deployed towards operational, under-construction and development-stage projects. This provides adequate headroom for financial support which can be infused as and when required.

RWSP4PL's credit profile is expected to benefit from the financial, operational and managerial support from its parent company. The rating also factors in the demonstrated need-based support from the parent in addressing cash flow mismatches, evident from the financial support extended to the group SPVs in the past. The parent's high propensity to support is underpinned by the Group's strategic focus on renewable energy, its planned capital expenditure for medium- to long-term expansion, and the economic incentive reflected in the SPV's comfortable cumulative DSCR over the loan tenure.

The rating favourably considers the operationalisation of RWSP4PL's 19.8-MWac solar project in May 2026. However, the entire generation is currently tied up under short-term power purchase agreements (PPAs) with private customers until January 2028 at tariffs lower than the contracted long-term PPA tariff, which will become effective from February 2028 as per the offtaker's requirement. Post the transition to the long-term PPA, the project will benefit from revenue visibility over a 20-year horizon, exposure to a strong offtaker {Digital Edge DC India Private Limited (DEI); rated [ICRA]AA- (Stable)}, and a competitive tariff that remains at a discount to the prevailing grid tariffs, supporting sustained demand and mitigating the counterparty credit risk to a large extent. The captive nature of the project exposes it to the evolving state open access regulations.

ICRA notes that the interim arrangement of selling power though short-term PPAs will result in sub-optimal cash flow generation and debt service coverage ratio (DSCR) levels below one times during the initial two years of operations (FY2027–FY2028). Nevertheless, this risk is mitigated by the creation of an additional cash reserve over and above the stipulated one-quarter DSRA in the form of a fixed deposit equivalent to the projected cash flow shortfall required to meet the lender-prescribed annual financial covenant. This is expected to provide liquidity support and ensure debt servicing continuity during the interim period. Further, comfort is derived from the stated intent and track record of HCSPL in extending financial support to the SPV, if required.

The rating also draws comfort from expectations of comfortable debt protection metrics with the cumulative debt service coverage ratio (DSCR) estimated to remain around ~1.29x over the debt tenure on account of an amortising long-term debt tenure of 18 years, a competitive interest rate and remunerative tariff for the project.

The rating is, however, constrained by the limited operational track record, given the project's recent commissioning, making sustained demonstration of generation performance, particularly at or above the P-90 levels, a key monitorable. The project's cash flows remain inherently sensitive to the variability in generation due to the single-part tariff structure, wherein any adverse fluctuation in irradiation levels, module performance, or plant availability could directly impact the PLF and debt coverage metrics. This risk is further accentuated by geographical concentration, with the entire capacity located in Maharashtra.

The company is also exposed to interest rate risks, given the leveraged capital structure and floating interest rates, subject to regular resets. Further, the project is exposed to regulatory risks pertaining to the state's policy on open access charges and forecasting and scheduling norms. ICRA notes that the proposed changes in the banking policy in Maharashtra are expected to have a minimal impact on the project as the consumption profile of the offtaker matches with the generation profile of the project. This reduces the reliance on banking and limits the project's exposure to adverse changes in banking regulations.

ICRA also notes that the lock-in period under the long-term PPA is lower than the debt repayment tenure of ~18 years and is thus contingent on the renewal of the service agreement by DEI. This gives rise to the risk of cash flow mismatch, post the expiry of the lock-in period, if the PPA is renewed at a rate lower than the existing tariff. Further, the termination payment under the PPA does not cover for the entire debt outstanding, thereby exposing the company to market risks to find an alternative customer, in such an event. However, the PPA provides for extension of the captive user lock-in period in line with any extension of the DEI's facility occupant arrangement, subject to a maximum extension of five years at a time. While up to two such extensions are contractually permitted, further extensions may also be mutually agreed upon between the parties for the balance term of the agreement, thereby enhancing the revenue visibility and offtake continuity. Nonetheless, comfort can be drawn from the competitive tariff offered by the company, expectation of renewal of the PPA with the same offtaker and the parent's track record in securing PPAs with large industrial and commercial customers. Additionally, the attractive PPA tariff and the economics of such tariff vis-à-vis the grid tariff, the strong credit profile of the offtaker and the presence of a termination/buyout clause in the PPA act as the risk mitigants.

The Stable outlook reflects ICRA's expectation that the project will achieve a satisfactory generation performance over the near term, and the cash flows and coverage metrics will improve following the transition to the higher-tariff long-term PPA. Continued timely payments from the offtaker, along with HCSPL's sustained financial support, are expected to underpin the credit profile, going forward.

Key rating drivers and their description

Credit strengths

Strong parentage of HCSPL - RWSP4PL benefits from the strong parentage of HCSPL, a renewable energy platform backed by ISQ, a global infrastructure investment manager. The sponsor group has demonstrated a strong commitment towards the development of its renewable energy portfolio in India, with a committed capital of around USD 481 million, of which ~USD 169 million has already been infused across operational and under-development projects. The company also benefits from the extensive experience of the sponsor and the management team in developing, executing and operating renewable energy assets. ICRA notes that HCSPL and ISQ have provided timely equity support across portfolio projects and are expected to remain supportive of RWSP4PL in the event of any funding requirements or temporary cash flow mismatches. The established track record of the parent in securing PPAs, arranging project financing and managing renewable assets provides additional comfort to the project's credit profile.

Revenue visibility from long-term PPA at competitive tariff rate - RWSP4PL benefits from a 20-year long-term PPA with Digital Edge DC India Private Limited for the offtake of power at a remunerative fixed tariff rate. The tariff is competitive compared with the grid tariffs, which provides economic benefit to the offtaker and supports the long-term sustainability of the arrangement. The PPA provides visibility on future revenue once the long-term supply arrangement begins. At present, the project is supplying power under short-term PPAs with C&I offtakers at tariffs lower than the long-term PPA tariff. While this has resulted in weaker cash flow generation during the interim period, the transition to the long-term PPA is expected to improve the revenue and debt coverage metrics.

Low counterparty risk – The counterparty risk remains low as the long-term offtake is tied to DEI, which has a strong credit profile. DEI operates data centre facilities which typically exhibit stable and predictable power demand. Additionally, the project is expected to cater to only a part of the customer's overall power requirement, reducing the risk of curtailment or under-utilisation. During the interim period, the company has entered into short-term PPAs with established private consumers, limiting merchant market exposure. The strong credit quality of the long-term offtaker, coupled with expectations of timely payment realisations, supports the project's cash flow stability.

Adequate debt coverage metrics and liquidity profile - The rating derives comfort from the adequate debt servicing capability of the project over its operational life, with a cumulative DSCR of ~1.29 times. The debt structure benefits from an amortising repayment profile, an 18-year loan tenure and competitive borrowing costs. Although the cash flow generation is expected to remain sub-optimal during the initial period owing to lower tariffs under interim PPAs, the company has established adequate liquidity safeguards to tide over any cash flow mismatches. These include a debt service reserve account (DSRA) equivalent to one quarter of debt servicing obligations and the proposed creation of an additional cash reserve to bridge the expected cash flow shortfalls during FY2027-FY2028. The liquidity position is further supported by the demonstrated financial flexibility and expected support from HCSPL, if required.

Credit challenges

Limited track record of operations - The project was commissioned in May 2026 and therefore has a limited operational track record. Consequently, a sustained demonstration of generation performance and plant availability across different seasons remains to be established. Any significant deviation from the expected generation levels could adversely affect the cash accruals and debt coverage indicators. Given the single-part tariff structure, any reduction in generation directly impacts the revenue and debt servicing ability.

Cash flows remain vulnerable to variability in solar irradiance and geographic concentration of project - Variability in solar irradiation may affect the generation, which may impact the revenues and the cash flows of the project as the revenues are directly linked to the actual generation. The risk is further accentuated by the concentration of the entire project capacity at a single location in Wardha, Maharashtra, exposing the asset to region-specific climatic events and operational disruptions. While the project benefits from proven technology and established O&M arrangements, generation risks remain an inherent characteristic of renewable energy assets.

Risk of cash flow mismatch owing to lower lock-in period under PPA in relation to debt tenure - The lock-in period under the long-term PPA is lower than the debt repayment tenure of ~18 years and is linked to the renewal of the service agreement with DEI. This gives rise to the risk of cash flow mismatch post the expiry of the lock-in period, if the PPA is renewed at a rate lower than the existing tariff. Further, the termination payment under the PPA does not cover for the entire debt outstanding, thereby exposing the company to market risks to find an alternative customer, in such an event. However, the PPA provides for extension of the captive user lock-in period in line with any extension of the DEI's facility occupant arrangement, subject to a maximum extension of five years at a time. While up to two such extensions are contractually permitted, further extensions may also be mutually agreed upon between the parties for the balance term of the agreement, thereby enhancing the revenue visibility and offtake continuity. Nonetheless, comfort can be drawn from the discount offered by the company to DEI against the HT industrial grid tariff, the track record of the sponsor in securing PPAs with large C&I customers and the notice period available at the time of PPA termination to enable the company to replace a customer.

Exposed to interest rate and regulatory risks - The interest rates on the term loans availed by the company for the project is floating and subject to regular resets. The fixed tariff under the PPA and a leveraged capital structure expose the debt coverage metrics to the movement in interest rates. Therefore, a sharp or sustained increase in interest rates could weaken the project returns and coverage metrics, particularly during the initial period when the cash flows are already constrained by the lower short-term PPA tariffs. Also, the lender has a put option at the end of 5 years from SCOD and every 5 years thereafter of the loan tenure which can expose the company to variations in interest rates at the time of refinancing.

Further, 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. Also, the company remains exposed to regulations related to group captive power projects and adverse variation in open access charges, which could impact the competitiveness of the tariff offered.

The project is also currently operating under short-term open access arrangements, and a timely approval of the long-term open access approval before the long-term supply to Digital Edge begins will be important. Further, a timely receipt of the open access approvals remains important to ensure uninterrupted operations. Any delay in such approvals or adverse change in charges could affect the project's cash flow.

Liquidity position: Adequate

The company's liquidity profile is likely to remain adequate on expectations of an additional liquidity buffer of Rs. 5.1 crore to be created over the near term. This buffer, along with the cash flow from operations, is expected to be sufficient for the debt servicing obligations in FY2027, further supported by a satisfactory generation performance and timely realisation of payments. The liquidity is further by backed by a debt service reserve account (DSRA) of Rs. 3.5 crore as of May 2026 and the need-based support from the parent, if required.

Rating sensitivities

Positive factors – Demonstration of a generation performance in line with or above the P-90 level, along with timely payments from the offtaker, leading to comfortable debt coverage metrics, could support an upgrade. Further, ICRA could upgrade the ratings 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 1.20 times on a sustained basis. Further, any large delays in realising payments from the offtakers and/or delay in the creation of the stipulated liquidity reserves, resulting in a deterioration of the company's liquidity position, will be a negative factor. The rating could also be revised downwards if the credit profile of the parent weakens and/or the linkages with the parent deteriorate.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar and Wind
Parent/Group support	ICRA has assessed the standalone credit profile of the company and factored in the support from its parent, Hexa Climate Solutions Private Limited; ICRA expects HCSPL to be willing to extend financial support to the company, if required, given the business linkages, strategic importance and the willingness shown by the parent to support it
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

REL Wardha Solar Project 4 Private Limited is a recently incorporated (2024) solar SPV under the Hexa Climate renewable platform. The SPV was established to develop and operate a 19.8-MWac solar project at Wardha in Maharashtra. It has a long-term PPA and is supplying power primarily to a data centre customer. The project was commissioned in May 2026.

Key financial indicators (audited) - Not meaningful as project got commissioned in May 2026

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)**	**Jul 24, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund based -Term loans	Long term	88.84	[ICRA]A- (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	Financial sector regulator#
NA	**Term loan**	FY2026	NA	FY2045	88.84	[ICRA]A- (Stable)	RBI

Source: Company

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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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