LONE CYPRESS VENTURES PRIVATE LIMITED

April 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	122.29	CARE A-; Stable	Downgraded from CARE A; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating downgrade on the bank facilities of Lone Cypress Ventures Private Limited (LCVPL), which is operating a 30 MW (AC) solar power project in Uttar Pradesh, factors in weakening of the credit profile of the parent company i.e. Sunsource Energy Private Limited (SSEPL), as evidenced by the recent downgrade of the parent's ratings from CARE A+; Stable/CARE A1 to CARE A; Stable/ CARE A2+. The downgrade in the ratings of of SSEPL is on account of the moderation in its debt coverage metrics due to higher than envisaged operating expenses leading to negative gross cash accruals (GCAs) in FY24 and 9MFY25. Furthermore, the infusion of equity capital from the sponsor envisaged for FY25 has been deferred to FY26, resulting in higher than expected leverage levels. Additionally, generation performance of SSEPL's operational portfolio has remained below P90 levels, in FY24 and 9MFY25, on account of stabilisation related issues and lower irradiance levels. A combination of these factors has adversely impacted the SSEPL's cash flows and its coverage and leverage metrics.

The rating on the bank facilities of LCVPL continues to factor in the satisfactory operational track record of over two years with actual generation remaining in line with P90 levels and timely collections. The company reported Plant Load Factor (PLF) of 15.4% and 16.8% in FY24 and 11MFY25 respectively as against 16.9% in 11MFY24. The rating continues to factor in LCVPL's strong parentage by virtue of it being a subsidiary of SSEPL. SSEPL's stated posture towards LCVPL is strong, as exhibited by the presence of limited period corporate guarantee, which will be valid till the plant generates at P-90 level for two consecutive years and the security is fully perfected. Furthermore, the rating also factors in the presence of long-term power purchase agreements (PPAs) under the group-captive mechanism with reputed C&I customers. CARE Ratings takes comfort from the presence of two quarters DSRA as per stipulations as well as enabling clauses such as lock-in period and compensation to the developer in case of an early exit by the customer. Further, the rating also derives strength from comfortable debt metrics indicator with average Debt Service Coverage Ratio (DSCR) being ~1.20x for the entire tenor.

The rating is, however, constrained on account of the leveraged capital structure, given the expected Total debt / EBITDA remaining range-bound between 6.4x-6.9x over the next few years. Given the leveraged capital structure, single part nature of the fixed tariff in the PPA, and floating interest rates, the company's profitability remains exposed to increase in interest rates. CARE Ratings also factors in exposure of project cash flows to adverse variations in weather conditions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Actual generation levels better than P-90 generation for a sustained period thereby resulting in improvement in average DSCR
- Faster than expected deleveraging level of the project

Negative factors

- Significant underperformance in generation or sustained elongation in receivables, adversely impacting liquidity profile.
- Higher-than-expected debt levels weakening the cumulative DSCR on project debt to less than 1.15x on a sustained basis
- Weakening of the credit profile of the parent, i.e., SSEPL, or any change in linkages/support philosophy between the parent towards LCVPL would be a negative factor.

Analytical approach: Standalone plus factoring in linkages to parent; SSEPL

Outlook: Stable

The stable outlook on the CARE A- rating of LCVPL reflects CARE Ratings' opinion that the entities would benefit from its long-term PPA with the group captive consumers. Expectation of satisfactory generation and collection performance supports the outlook.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong parentage and operating track record of SunSource Group in renewable energy segment
SSEPL is a renewable energy developer and has operational capacity of ~256 MWp as on February 2025 end, with projects spread across the country in multiple states including Rajasthan, Uttar Pradesh, Karnataka, Haryana, New Delhi, Maharashtra, Tamil Nadu, and Madhya Pradesh. The company has been in the solar energy business since 2010 and has gradually built-up assets via organic route through its various SPVs. SSEPL is 100% held by SHV Energy group, which is based out of Netherlands and has complete management control over SSEPL and is involved in all strategic decision-making initiatives of the company.

Going forward, it is envisaged that SHVE would continue to provide growth capital to the platform and aims to achieve operational capacity of 1 GW by 2027/2028. Further, the stated posture of SSEPL towards LCVPL is strong, as exhibited by the presence of limited period corporate guarantee, which will be valid till the plant generates at P-90 level for two consecutive years and the security is fully perfected.

Revenue visibility due to the presence of long term PPAs with strong counterparties
LCVPL has entered into long term (25 years) PPAs for the entire capacity with reputed corporate customers having strong credit profile at a fixed tariff for the entire capacity. Further the company is selling power under the 'Group Captive' mechanism wherein open access charges such as cross subsidy surcharge (CSS) and additional surcharge (AS) are not applicable, thereby making the power sold more competitive. Furthermore, the presence of enabling clauses such as lock-in period and compensation to the developer in case of an early exit by the customer acts as a necessary safeguard.

Operational track record of over two years with satisfactory generation and collection performance
The project achieved commissioning in a phased manner with 10 MW capacity commissioned during March 2022 and 20 MW capacity commissioned during August 2022 and has an weighted average operational track record of over two years. The generation performance has been satisfactory with the PLF being in-line with the P-90 estimates. The company reported Plant Load Factor (PLF) of 15.4% in FY24 and PLF in 11M FY25 was 16.8% as against 16.9% in 11M FY24. Furthermore, the collection performance has remained timely. Going forward, CARE Ratings expects the generation performance to be in-line with designed energy estimates, which would remain a key monitorable from credit perspective.

Key weaknesses

Leveraged capital structure along with exposure to interest rate risk
The capital structure of LVCPL remains leveraged with expected Total debt / EBITDA remaining range-bound between 6.4x-6.9x over the next few years. Given the leveraged capital structure, single part nature of the fixed tariff in the PPA, and floating interest rates, the company's profitability remains exposed to increase in interest rates.

Vulnerability of cash flows to variation in weather conditions
As tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to variation in weather conditions and/or equipment quality. This, in turn, would affect its cash flows and debt servicing ability.

Liquidity: Adequate
As on March 2025 end, the SPV had a cash and bank balance of Rs 18.3 crores, which is inclusive of one quarter DSRA amounting to ~Rs. 5.85 crore in the form of FD. Additionally, the SPV is maintaining one-quarter DSRA in the form of a bank guarantee (BG) amounting to ~Rs. 5.6 crore. The internal accruals are anticipated to be adequate to service its debt obligations.

As per CARE's base case, adjusted GCAs for FY25 and FY26 are expected to be Rs. 7.6 crores and Rs 7.7 crores as against annual repayments of around Rs. 5.2 crores and Rs 5.7 crores respectively.

Applicable criteria
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings

[Solar Power Projects](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

LCVPL is a special purpose vehicle (SPV) promoted by SunSource Group. The SPV is operating a 30 MW (AC) solar capacity in the state of Uttar Pradesh. It commissioned part capacity (10 MW AC) in March 2022 and remaining capacity (20 MW AC) in August 2022. LCVPL has signed long term PPAs with multiple corporate customers under the group captive scheme at a fixed tariff for the tenor of the PPA.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	0.00	14.57	22.59
PBILDT	-11.74	11.23	16.29
PAT	-40.81	3.60	-2.92
Overall gearing (times)	21.40	2.14	2.41
Interest coverage (times)	-0.51	7.17	1.31

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-06-2040	122.29	CARE A-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	122.29	CARE A-; Stable	-	1)CARE A; Stable (26-Nov-24)	1)CARE A; Stable (22-Nov-23)	1)CARE A; Stable (18-Nov-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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