Project developer gets first A- rating for Indian solar project debt

By Ronan Murphy, Managing Editor, Clean Energy Pipeline at *VB/Research*

July 9, 2013

Indian clean energy developer Astonfield Renewables is intent on lowering the cost of weighted average debt for its projects following its achievement of the first A- rating for a solar farm in India this week, the company's Co-Chairman Ameet Shah told Clean Energy Pipeline.

Astonfield announced on Monday that Credit Rating Information Services of India Limited (CRISIL), a division of the McGraw Hill Corporation in which Standard & Poor's is a majority stakeholder, has given an A- rating to a 5 MW solar project in Rajasthan that has been operating since October 2011.

Shah stated that ratings of this quality are urgently required to mitigate the high cost of debt for Indian solar projects in comparison to equivalent assets in other nations.

He said Astonfield aims to lower the cost of debt from the current risk premium of 300-500 basis points over a leveraged lease ratio to a premium of about 100 basis points in the future.

Cutting the cost of debt will allow Astonfield to generate greater returns for its investors in the long term and enable it to be more flexible in its options to finance its assets, although it has not yet decided how it will exploit the A- rating for the Rajasthan plant's debt.

"I am hoping this announcement wakes people up to come to us with some ideas about how to securitise cash flows or perhaps issue bonds against these papers, but we don't know yet," he said.

Astonfield currently operates 19 MW of solar capacity in India, including the Rajasthan plant, across three states. It aims to install a further 50-75 MW in 2013 and diversify its activities to three or four more Indian states by the end of the current fiscal year (in March 2014), according to Shah.

He stressed the importance of a national strategy centred on expertise rather than focused on a restricted number of states, citing reports this week that Gujarat, a major solar power producer, is seeking to cut its feed-in tariff from $0.21 per kilowatt-hour (KWh) to $0.15 per KWh.

"Slowly building a national footprint is the key to success," said Shah. "This is not a sprint. A lot of developers have focused on 'how many megawatts of solar can we build?' We have changed that to how we build those megawatts rather how many."

Shah characterised the types of projects targeted by Astonfield using the cricketing analogy of 'singles and sixes', with singles being projects in the 2-10 MW range and sixes 25-50 MW

installations. The company will primarily target singles but is open to tackling sixes if the opportunity arises, he said.

“Along the way we will go for a six if [the power purchase agreement] is priced properly, but we won’t hit for the sake of hitting the ball,” said Shah.

Astonfield’s goal is to develop about 250 MW of new solar capacity in India over the next two years. To do so, it will secure equity partners such as strategic and international investors that lack the expertise to tackle the Indian solar market themselves, but which are prepared to back Astonfield-developed projects. It has already partnered on two photovoltaic (PV) projects with Spanish PV developer T-Solar.

“We do the entire development, which includes bringing bank debt to the project,” said Shah. “With our track record, banks are comfortable lending to projects promoted with us, which is a major advantage in the market today.”

The company’s current lenders are the State Bank of India, ExIm Bank of India and Power Finance Corporation.

Its 5 MW Rajasthan project was financed on a 70:30 debt to equity basis, but Shah believes that model can be further leveraged to 75:25 for projects and areas where Astonfield has 12-24 months of operating data, rising to 80:20 in Rajasthan in the future.

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