Renew Solar Power Private Limited

March 02, 2021

Ratings

S.No.	Facilities	Amount (Rs. crore)	Rating1	Rating Action
1.	Long Term Bank Facilities	973.26	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
2.	Long Term Bank Facilities	182.21 (Reduced from 186.00)	CARE A+ (CE); Stable [Single A Plus (Credit Enhancement); Outlook: Stable]*	Reaffirmed
	Total Bank Facilities	**1,155.47 (Rs. One Thousand One Hundred Fifty-Five Crore and Forty-Seven Lakhs Only)**		
3.	Non Convertible Debentures – I	-	-	Withdrawn@

Details of instruments/facilities in Annexure-1

** Credit enhancement in the form of unconditional & irrevocable Corporate Guarantee from Renew Power Private Limited (RPPL, rated CARE A+; Stable/ CARE A1+)*

@CARE has withdrawn the rating assigned to the Non-Convertible Debentures viz. NCD-I (Rs.200.00 crores; ISIN No: INE139S07017) of Renew Solar Power Private Limited with immediate effect, as the company has fully repaid the amounts under the said NCD and there is no amount outstanding under the NCDs.

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The long-term rating assigned to the bank facilities (S.No. 2) of Renew Solar Power Private Limited (RSPPL) factors in the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by RPPL till the final settlement of term loan for an amount aggregating Rs. 186 crores. The company has availed term loan for 50 MW solar project in Rajasthan, which is fully operational and has a satisfactory operational track record of around 21 months.

Detailed Rationale & Key Rating Drivers

The rating assigned to bank facilities (S.No. 1) of RSPPL derives strength from experienced & strong promoter viz. Renew Power Private Limited (RPPL, rated CARE A+; Stable, CARE A1+) that is backed by strong investors with majority shareholding with Goldman Sachs along with other key reputed investors including Canada Pension Plan Investment Board (CPPIB), Abu Dhabi Investment Authority (ADIA) and Jera Power, established track record of the group in the renewable energy sector with RPPL being one of the largest renewable energy player in India, presence of long-term power purchase agreements (PPAs) for operational capacity of RSPPL under various subsidiaries aggregating to 1.97 GW, diversified operational portfolio and satisfactory operational track record. The rating also takes into account long term off-take arrangement through Power Purchase Agreements (PPAs) signed with Maharashtra State Electricity Distribution Company Limited (MSEDCL; 250 MW), Solar Energy Corporation of India (SECI; 50 MW) and Gulbarga Electricity Supply Company Limited (GESCOM; 20 MW) at a fixed tariff for entire tenure for 320 MW project set-up at RSPPL standalone level and the successful commissioning of the project.

The rating is, however, constrained by counterparty credit risks with around 60% of consolidated operational capacity of RSPPL tied-up under long-term PPAs with various state utilities having relatively moderate to weak financial profile, large expansion plans to increase the installed power capacity leading to sizeable capital requirement as well as exposure to inherent project implementation and stabilization risks, although mitigated by satisfactory track record of raising funds by the ultimate promoter viz. RPPL, refinancing risks arising out of bank facilities and NCDs raised at RSPPL and SPV levels, short-to-medium track-record of operations of a significant portion of the operational capacity, regulatory and policy risk, interest rate fluctuation risk, dependence on climatic conditions for power generation.

Rating Sensitivities (for credit enhanced debt)

The detail rationale of the corporate guarantee provider, Renew Power Private Limited is available on www.careratings.com

Rating Sensitivities for RSPPL Standalone ratings

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in credit risk profile of the parent company viz. Renew Power Private Limited
- Achievement of generation at better than P-90 levels for operational portfolio on sustainable basis

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

- Sustained improvement in operating cash flows of the company at both consolidated and standalone level with timely commissioning of under construction projects
- Improvement in financial risk profile including reduction in leverage levels and improvement in Debt/PBILDT and Debt/GCA

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in credit risk profile of the parent company viz. Renew Power Private Limited
- Significantly lower than envisaged CUF/PLF levels for various operational projects on consolidated level leading to deterioration in debt coverage indicators
- Delays in execution of various under implementation projects leading to any material adverse impact on financials of the company due to invocation of PBGs or reduction in tariffs
- Inability or delay in fund raising for meeting requirements of under-implementation projects
- Any regulatory changes in the renewable energy sector leading to negative impact on cash flows of the group

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and resourceful promoters:

RSPPL is a step-down subsidiary of RPPL. RPPL is engaged in renewable power generation business, mainly through its wholly-owned/majority-owned SPVs. Mr. Sumant Sinha, Founder & CEO of RPPL is well-qualified and has more than two decades of experience in leadership roles across various organizations. The Goldman Sachs group, through its investment arm, GS Wyvern Holdings Limited (GSH), has been making significant equity investment in RPPL since FY12 and is the single largest shareholder. Subsequently, other reputed investors such as Asian Development Bank (ADB), South Asia Clean Energy Fund (SACEF), Abu Dhabi Investment Authority (ADIA, through its arm Green Rock A 2014 Ltd), JERA Power and Canada Pension Plan Investment Board (CPPIB) have made significant investments and also GSH has participated in further rounds of equity fund raising by the company. In March 2018, CPPIB invested USD 391 million (Rs.2545 crore) making it the second largest shareholder of RPPL after GSH.

The company has expanded its capacity significantly to become one of the largest renewable energy company in India. As on January 2021, RPPL has operational capacity of around 5.66 GW (61% - Wind, 39% - Solar), majority of which have tied-up long-term PPAs. In addition, the company has around 4.41 GW of power projects under implementation or in various stages of planning.

One of the largest players in the solar power segment in India with diversified portfolio:

As on January 2021, RSPPL has operational capacity of around 1.97 GW (consolidated basis) all of which have tied up under PPA ranging from 10 years to 25 years. Out of 1.97 GW operational capacity around 320 MW capacity is put-up directly under RSPPL (250 MW – MSEDCL, 50 MW – SECI and 20 MW – GESCOM).

In addition, the company has around 2.62 GW of power projects under implementation or in various stages of planning (consolidated basis). Post commissioning of currently under implementation capacity of 2.62 GW, RSPPL will have an operational capacity of around 4.59 GW at consolidated levels. Also, in terms of location of the operational projects, the company is diversified with presence in 7-8 states across India. Also, the company is providing power to a diversified set of off-takers including various state discoms having moderate to weak financial risk profile, though the risk is mitigated to an extent from diversification with no single off-taker having more than 19% share in operational capacity as on January 2021. Further, post commissioning of the entire 2.62 GW pipeline, exposure towards state PPAs is expected to significantly decrease as under construction projects largely have SECI as counterparty which has a relatively strong financial risk profile.

Successful track record of commissioning and operating solar projects in India:

Despite a rapid scale up of capacity, the company has been able to complete majority of the projects in a timely manner. As on January 2021, projects having more than 2 years of operational track record stood at around 57.38% of total operational capacity. Although a significant portion of the capacity has short to medium track record of operations, the operational track record has largely been satisfactory, so far.

Long-term revenue visibility for operational capacity at consolidated level:

As on January 2021, RSPPL has operational projects having aggregate capacity of around 1.97 GW. Majority of the operational capacity is tied up under long-term PPAs ranging between 10 and 25 years, at fixed tariffs, with majority (96.51%) of the PPAs having tenor of 25 years with few projects (3.49%) having 10 years PPA), at fixed tariffs, which provides long-term revenue visibility for majority of the portfolio.

Successful commissioning of entire 320 MW capacity at standalone level with operational track record ranging between 15 to 21 months:
The 320 MW (AC) capacity directly set-up under RSPPL has been successfully commissioned. RSPPL has executed PPA with MSEDCL for 250 MW, SECI for 50 MW and GESCOM for 20 MW directly under itself at a fixed tariff for a period of 25 years. With a long-term off-take arrangement at a fixed tariff, the company has long-term revenue visibility. The entire solar power project has a weighted average operational track record of around 16 months now (250 MW – 15 Months, 50 MW – 21 Months & 20 MW – 15 Months). The entire project at standalone level achieved weighted average Net CUF of 27.14% during 9MFY21 as against weighted average P-90 estimates of 27.36%.

Moderately comfortable debt coverage indicators for projects at Standalone level:
The door to door tenor of the term loan is elongated and the coverage indicators for 320 MW projects setup directly under RSPPL have moderately comfortable debt coverage indicators and are largely self-sustainable.
DSRA comprising two quarter interest and principal repayment has already been created in line with the sanction term in 250 MW and 20 MW projects of RSPPL selling power to MSEDCL & GESCOM respectively. However, DSRA comprising one quarter interest and principal repayment created in line with the sanction term in 50 MW project of RSPPL selling power to SECI.

Industry Outlook
There is great thrust from Govt. for improving the share of solar power in India's overall power mix which is reflected from various policy initiatives. There had been muted solar power generation capacity additions during FY19 & FY20 on the back of imposition of safeguard duty on import of solar modules, lack of clarity w.r.to GST rate on solar modules and cancellation of large amount of solar auctions. However, looking at the already allotted capacity and govt.'s push for achieving targeted solar capacity of 100 GW by end FY22, capacity additions are likely to improve in next two to three years. Solar projects have relatively lower execution risks, stable long term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, tariffs comparable to conventional power generation, must run status of solar power projects and upward revision in solar RPO achievement targets. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter RPO enforcement by the state regulators, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook. Going forward key monitorables would be prices of solar modules, performance of the modules in Indian conditions, developments in claim of off-takers for renegotiation of PPAs, modalities to compensate under change in law for safeguard duty, payment pattern of off-takers, imposition of any anti-dumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance.

Key Rating Weaknesses
Counter party credit risks at consolidated level:
Since the company's SPVs are selling a significant portion of power to the state distribution utilities having moderate to weak financial risk profile, it is exposed to the credit risk associated with exposure to state distribution utilities. However, the risk is mitigated to an extent due to diversification in terms of off-takers. Additionally, significant amount of under implementation capacity have PPAs with relatively stronger counterparties (SECI, GUVNL) which will lead to increase in overall exposure from currently around 40% to around 68% of operational capacities to relatively stronger counterparties where payment track records have been relatively better.
Going forward, company plans to increase participation in tenders having relatively stronger counterparties (SECI, NTPC, GUVNL etc.). Nevertheless, timely receipt of payments from the various off-takers would be critical from cash flow perspective.

Large expansion plans:
As on January, 2021, RSPPL had under implementation capacity of around 2.62 GW. Nevertheless, the group has a track record of successfully raising funds from various investors in the past. However, the group have an operational capacity of 5.66 GW as on January 2021 (consolidated at RPPL Level) which will generate internal cash accruals over the years and thus provides additional flexibility to the group for meeting equity requirements. Nonetheless, the company's future expansion plans will result in significant requirement of funds, for which the company would be dependent upon fund raising from various investors (existing and new) and capital markets (domestic and international).

Interest rate fluctuation risk, regulatory and policy risk:
RSPPL is exposed to increase in interest rate going forward, due to fully floating nature of interest on various bank facilities availed by it. Also, there are concerns in the renewable energy sector in India like delays in land acquisition, imposition of

Basic Customs Duty/Safeguard Duty (though the same is pass through in majority of the contracts) on import of solar modules and lack of stricter RPO enforcement by the state regulators which may impact the operational as well as under implementation capacities of the group, going forward. Also, RSPPL operates solar power projects under various state and national level schemes with presence across various states in India including AP, MP, Telangana, Gujarat, Karnataka, Maharashtra, Rajasthan and Tamil Nadu. This exposes the company to uncertainties and unfavourable changes in policies across various states.

Susceptibility of operating performance to change in climatic conditions:
Achievement of desired solar power generation would be subject to change in climatic conditions, amount of degradation of modules as well as technological risks.

Weak financial risk profile of the off-taker:
The 270 MW project at RSPPL standalone level is exposed to credit risk related to weak off-taker MSEDCL (250 MW) & GESCOM (20 MW). MSEDCL has a relatively weak financial risk profile; however, the payments are being received in about 30 to 31 days from MSEDCL as against stipulated timeline of 30 days as per PPA.
GESCOM, the other off taker for 20 MW has a relatively weak financial risk profile marked by net losses and high receivable & payable days. Also, RSPPL had been receiving payments from GESCOM with a delay of around 6 months as against stipulation of 30 days as per PPAs from the date of invoicing.
Going forward, timely receipt of payments would be critical from cash flow perspective.

Liquidity: Adequate
RSPPL's liquidity is adequate with unencumbered cash & bank balance of around Rs. 68.80 crore at standalone level as on 31st December, 2020 (exclusive of DSRA and margin money).
RSPPL is dependent upon ultimate promoter, RPPL, for infusion of funds to meet support requirements for operational projects and equity requirements for various under construction capacity.
At standalone project level (MSEDCL), the company has DSRA balance of 2 quarter in the form of FD of Rs. 69.70 crore. In addition to DSRA, project has unrestricted cash balance of Rs. 21.10 crore as on February 05th, 2021.

Impact of Covid-19: As per MNRE, all renewable energy projects are granted 'Must-run' status and this status of 'Must-run' remains unchanged during the period of lockdown also. As electricity is part of essential services, O&M was not impacted. Also, there has not been any major instances of power curtailment by any of the off-takers (barring one or two instances). The renewable projects continued to generate power during the national lockdown period. Some impact on receivable due to COVID has been seen in few state discoms where the discoms are facing liquidity distress. The company had availed moratorium for the period during March-August 2020 (Moratorium I and Moratorium II) in some of its subsidiaries to conserve cash.
Additionally, the construction activity was impacted given restrictions in lockdown period leading to minimal capacity additions of in first nine months of FY21 so far. As per directive of MNRE, all renewable energy projects have been given a blanket time extension of 5 (five) months. Also, some projects have been granted extension beyond stipulated 5 months, though the same is on case to case basis.

Analytical approach:
(Sr. No.1) - Standalone

(Sr. No.2) - CARE has taken into consideration the fact that bank facilities availed are backed by unconditional and irrevocable corporate guarantee provided by Renew Power Private Limited [RPPL, rated CARE A+; Stable/ CARE A1+] till final settlement. Accordingly, the ratings of RSPPL's term loan are driven by the ratings of corporate guarantor viz. RPPL. Analytical approach of corporate guarantor viz. RPPL is consolidated.

Applicable Criteria
CARE's methodology for Infrastructure sector ratings
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Rating Methodology: Solar Power Projects
Rating Methodology: Wind Power Projects
CARE's methodology for private power producers
Financial Ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
CARE's Policy on Default Recognition

[CARE's Policy on Credit Enhanced Debt](#)
[Rating Methodology: Consolidation](#)
[CARE's Policy on Withdrawal](#)

About the Company – RPPL - Credit Enhancement provider
The detail rationale of the corporate guarantee provider, Renew Power Private Limited is available on www.careratings.com

About the Company – Renew Solar Power Private Limited
Renew Solar Power Private Limited (RSPPL), incorporated in June 2012, is a wholly owned subsidiary promoted by RPPL set up for developing and holding solar power projects directly or through its subsidiaries (excluding Rooftop projects). As on January, 2021, RSPPL has operational solar power capacity of 1971 MW spread over Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Rajasthan and Telangana. In addition, RSPPL has 2618 MW of solar power projects under implementation or in planning stage, in the states of Rajasthan, Gujarat, Karnataka and Uttar Pradesh, which are expected to become operational in the current and upcoming financial years in phases.
Additionally, RSPPL has set up around 320 MW of projects directly under itself which are fully operational as on February 2021.

Brief Financials (RSPPL - Standalone) (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	198.93	374.10
PBILDT	95.10	262.70
PAT	-37.89	-54.00
Overall gearing (times)@	1.56	3.01
Interest coverage (times)#	0.69	0.98

A: Audited
@Including loans from related parties
#Includes interest expense on loans from related parties

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*
Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	15th October 2038	973.26	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	31st March 2023	182.21	CARE A+ (CE); Stable
Un Supported Rating	-	-	-	-	0.00	Withdrawn
Debentures-Non Convertible Debentures	INE139S07017	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	-	-	1)CARE A+ (CE); Stable (06-Apr-20)	-	1)CARE A+ (SO); Stable (18-Feb-19)	1)CARE A+ (SO); Stable (01-Mar-18)
2.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (06-Apr-20)	-	1)CARE A+ (SO); Stable (18-Feb-19)	1)CARE A+ (SO); Stable (01-Mar-18)
3.	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1)Withdrawn (23-Feb-21) 2)Provisional CARE A1+ (CE) (06-Apr-20)	1)Provisional CARE A1+ (CE) (30-Aug-19)	1)Provisional CARE A1+ (SO) (18-Feb-19) 2)Provisional CARE A1+ (SO) (10-Oct-18) 3)Provisional CARE A1+ (SO) (18-Sep-18) 4)Provisional CARE A1+ (SO) (04-Sep-18) 5)Provisional CARE A1+ (SO) (16-Jul-18)	-
4.	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1)Withdrawn (23-Feb-21) 2)Provisional CARE A1+ (CE) (06-Apr-20)	1)Provisional CARE A1+ (CE) (30-Aug-19)	1)Provisional CARE A1+ (SO) (18-Feb-19) 2)Provisional CARE A1+ (SO) (26-Dec-18) 3)CARE A1+ (SO) (04-Sep-18)	-
5.	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1)Withdrawn (23-Feb-21) 2)Provisional CARE A1+ (CE) (06-Apr-20)	1)Provisional CARE A1+ (CE) (30-Aug-19)	1)CARE A1+ (SO) (18-Feb-19) 2)CARE A1+ (SO) (26-Dec-18) 3)CARE A1+ (SO) (18-Sep-18)	-
6.	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1)Withdrawn (23-Feb-21) 2)Provisional CARE A1+ (CE) (06-Apr-20)	1)Provisional CARE A1+ (CE) (30-Aug-19)	1)Provisional CARE A1+ (SO) (18-Feb-19) 2)CARE A1+ (SO) (26-Dec-18) 3)CARE A1+ (SO) (10-Oct-18)	-

7.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (06-Apr-20)	-	1)CARE A+ (SO); Stable (27-Mar-19)	-
8.	Un Supported Rating	LT	-	-	1)CARE A (06-Apr-20)	-	-	-
9.	Un Supported Rating	ST	-	-	1)Withdrawn (23-Feb-21) 2)CARE A1 (06-Apr-20)	-	-	-
10.	Fund-based - LT-Term Loan	LT	973.26	CARE A; Stable	1)CARE A; Stable (05-May-20)	-	-	-
11.	Fund-based - LT-Term Loan	LT	182.21	CARE A+ (CE); Stable	1)CARE A+ (CE); Stable (25-Nov-20) 2)CARE A+ (CE); Stable (03-Jul-20)	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument (Term Loan availed for 250 MW Solar project)	Detailed explanation
A. Financial covenants	
DSCR **Debt to Equity**	The borrower shall maintain the DSCR as stated in the banking base case during the currency of loan. • DSCR shall not be lower than banking base case as defined in the financing documents. • Debt to Equity Ratio on each Drawdown Date shall not be more than 3:1 (exclusive of the unsecured loans extended by the Promoter and group companies)

Name of the Instrument (Term Loan availed for 50 MW Solar project)	Detailed explanation
B. Financial covenants	
➢ Consolidated Net Debt/ Cons. EBITDA ➢ Operating Net Debt/Operating EBITDA ➢ [Operating Net Debt + Non-project related corporate debt]/Operating EBITDA ➢ Standalone Net Debt/Standalone Tangible Networth	The borrower shall ensure and cause the sponsor to ensure that on any calculation date, the following covenants shall be as per the following: • Not exceeding 7 times till June 30, 2020 • Not exceeding 5.75 times • Not exceeding 6.50 times • Not exceeding 3.0 times

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Un Supported Rating	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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