SJVN Green Energy Limited

February 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	1,823.60	CARE AA; Stable	Assigned
Short Term Bank Facilities	5.00	CARE A1+	Assigned
Issuer rating Issuer Rating	0.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings (CARE Ratings Ltd.) has assigned a rating of 'CARE AA; Stable' to the long term bank facilities and 'CARE A1+' to the short term bank facilities, while reaffirming the ratings to the Issuer Rating of of SJVN Green Energy Limited (SGEL).
The ratings derive strength from the superior financial flexibility and operational expertise provided by its parent ie, SJVN Limited (SJVN, rated CARE AA+; Stable/ CARE A1+). SJVN has a proven execution and managerial track of complex power projects (like large hydro) in the past. SGEL has a strategic position within the group as a vehicle for growth in renewable energy sector and thus enabling SJVN to meet its long-term capacity target. Furthermore, the rating favourably factors in the diversified initial pool of assets of around 3.6 GW which is expected to be operationalized in around seven states and to be contracted with around 10 different counterparties.

The existence of long-term power purchase agreements (PPAs) with various beneficiaries provides revenue visibility and thus, adds strength to the rating. Moreover, the rating takes note of the extent of tie-up of its under-construction capacity with moderate to strong off takers.

The rating strengths are, however, tempered by the project execution risk on account of significant capacity under construction. Moreover, the rating is sensitive to SGEL's leveraged financial risk profile due to a fairly aggressive debt to equity position in the projects and moderate projected debt service coverage indicators on account of relatively modest competitively bid tariffs. The rating also takes note of its small operational portfolio, exposure to technology and climate risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely commercialization of under-construction projects within the envisaged cost and time.
- Higher-than-envisaged generation on a sustained basis along with better-than-base case coverage and leverage metrics.

Negative factors

- Significant deterioration in the credit profile of the promoter or dilution in its support philosophy towards SGEL.
- Delay in commercialization of projects under construction leading to cost and time over run leading to higher-than-projected total debt (TD)/profit before interest, lease rentals, depreciation, and taxation (PBILDT).
- Lower-than-envisaged generation for the operational portfolio or increase in borrowing cost significantly impacting the coverage indicators.
- Deterioration in credit risk profile of the off takers leading to stretch in receivables, adversely impacting the liquidity of the company.
- Total fund-based debt exceeding ₹9,800 crore as on March 31, 2024.

Analytical approach: Standalone, while factoring linkages due to strong operational and financial linkages with the parent entity ie. SJVN Limited

Outlook: Stable

The 'stable' outlook reflects SGEL's ability to sustain the operational performance of the current operational portfolio, leading to steady gross cash accruals (GCA) while maintaining a reasonable average collection period.

Detailed description of the key rating drivers:

Key strengths

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

Strong business and financial linkages with parent: SGEL, is a wholly owned subsidiary of SJVN, which is a Miniratna and Schedule 'A' central public sector undertaking (CPSU) under the Ministry of Power (MoP), Government of India (GoI), and is a JV between the GoI (55% holding as on December 31, 2023) and the Government of Himachal Pradesh (26.85% holding as on December 31, 2023). The company has operating hydro, solar and wind power capacity of 2,151 MW, and is implementing various hydroelectric and solar projects in Uttarakhand, Himachal Pradesh, Gujarat, Uttar Pradesh. This apart SJVN is also implementing projects in Nepal and a thermal power project in Bihar through its special purpose vehicles (SPVs). SJVN's cash flow has been steady in the past, with a satisfactory average collection period, tempered by increasing leverage on account of significant capacity under construction.
SGEL has been established as a renewable arm for the SJVN group and holds high strategic importance for the group. Given the size of capacity addition envisaged through SGEL, it is expected to derive strong financial, operational and execution support from its parent SJVN. Thus, SGEL is likely to have significant flexibility in mobilizing and deploying fund for its projects.

Diversified initial pool of assets: SGEL has around 3.6 GW projects in pipeline as on December 31, 2023. The capacity is expected to be spread around seven states with Rajasthan and Gujarat having majority capacity share. Moreover, the capacity is expected to be contracted with 10 different off takers with no off taker having more than 24% share. SGEL's portfolio is expected to remain diversified with majority exposure to state distribution utilities and operations in renewable energy favourable states like Rajasthan, Gujarat, and Maharashtra. The assets under SGEL have low sales risk on account of long-term PPA at fixed tariff.

Significant capacity expected to be tied up with strong off takers: Although SGEL's majority capacity is expected to be tied up with state distribution utilities having weak-to-moderate credit profile, significant portion of the capacity has been tied up with strong off takers such as Gujarat Urja Vikas Nigam Limited (GUVNL) and Solar Energy Corporation of India (SECI).

Key weaknesses

Financial risk profile expected to remain leveraged: SGEL is expected to remain leveraged on account of significant debt-funded capex envisaged in the near term. Since, SGEL's entire capacity addition is in renewable power generation the projects are expected to be funded in debt : equity of 80 : 20.

Exposure to state distribution utilities: Majority capacity of SGEL is expected to be tied up with state distribution utilities. The financial health of many of these off takers continue to remain a cause of concern. The higher level of aggregate transmission and commercial (AT&C) losses, the rising power purchase costs, and the absence of cost-reflective tariff regimes have put a strain on the financial position of some of the state distribution utilities. Timely payment of dues from off takers post commissioning will be a key monitorable.

Project execution and funding risk: SGEL has around 3.6 GW assets currently in pipeline which are expected to be commissioned in the next two financial years. While large EPC orders have been placed with reputed vendors, timely receipt of necessary approvals, financial closure and efficient procurement strategy will be important from execution perspective.
SJVN is expected to support SGEL's funding requirements by availing low-cost debt and through internal accruals. The group is expected to incur more than ₹20,000 crore capex in FY24 and FY25 out of which more than ₹15,000 crore is expected to be incurred for renewable capacity addition entirely through SGEL. Funding of equity portion of the under-construction projects is expected to be manageable by way of strong cash accruals of SJVN, securitization potential of debt-free hydro assets and monetization of equity stake in SGEL.

Risk due to interest rate fluctuation, climate, and technology: SGEL is exposed to interest rate fluctuations as the bank facilities availed are floating rate loans and have periodic interest rates resets.
As tariffs are one part in nature, the group 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: Strong

SGEL's liquidity is marked cash and cash equivalent of ₹1,299.55 crore as on September 30, 2023. SGEL's liquidity is expected to be further supported by the parent ie. SJVN by way of equity infusion to fund its equity requirement for under construction projects.

Environment, social, and governance (ESG) risks

The ESG profile of the company is expected to derive comfort from its strong linkages with parent SJVN Limited. Moreover, since the entire business and operations of SGEL is in renewable power generation, the company is not exposed to any environmental risks. The social and governance profile of SGEL is expected to be strong owing strong parentage of SJVN Limited.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Issuer Rating
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Short Term Instruments
Infrastructure Sector Ratings
Solar Power Projects
Wind Power Projects

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

SGEL, incorporated on March 30, 2022, as a wholly owned subsidiary of SJVN, is set up for a purpose to be the renewable arm for SJVN. Currently, the company has 150 MW operational solar assets including 75 MW solar power project commissioned during Q3FY24. The company is expected to undertake all the under implementation renewable projects from SJVN and may take up fresh bid for renewable projects for the group. Currently, SGEL has around 3.6 GW projects at various stages of development. SGEL will operate in the verticals of power generation from renewable sources such as solar parks, wind & hybrid projects, battery energy storage system, biomass, small hydro, and green hydrogen-based business ventures.

Brief Financials* (₹ crore)	FY22 (A)	FY23 (A)	H1FY24 (UA)
Total operating income	0.00	12.75	20.77
PBILDT	-0.39	10.93	13.09
PAT	-0.39	-10.56	8.81
Overall gearing (times)	0.00	1.27	NA
Interest coverage (times)	0.00	1.35	0.91

A: Audited || UA.: Unaudited || NA.: Not Applicable; Note: 'the above results are latest financial results available' *Financials reclassified as per CARE Ratings' internal standards.

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-External Commercial Borrowings	-	-	-	Aug-28	1,600.00	CARE AA; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	5.00	CARE A1+
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE AA; Stable
Non-fund-based - LT-Bank Guarantee	-	-	-	-	223.60	CARE AA; Stable

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE AA; Stable	1)CARE AA; Stable (23-Aug-23)	-	-	-
2	Fund-based - LT-External Commercial Borrowings	LT	1600.00	CARE AA; Stable				
3	Fund-based - ST-Bank Overdraft	ST	5.00	CARE A1+				
4	Non-fund-based - LT-Bank Guarantee	LT	223.60	CARE AA; Stable				

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-External Commercial Borrowings	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender details

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

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

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About us:

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