# Renew Surya Ojas Private Limited

June 20, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 2,710.14*<br>(Reduced from 2,715.00) | CARE A-; Stable | Reaffirmed |
| Long Term / Short Term Bank Facilities | 143.00 | CARE A-; Stable / CARE A2+ | Assigned |

Details of instruments/facilities in Annexure-1.
*Includes Capex LC of Rs 2455 crore as Sub Limits

## Rationale and key rating drivers

The rating reaffirmation and assignment of short-term rating on the bank facilities of Renew Surya Ojas Private Limited (RSOPL), which is setting up a 300 MW peak power project in Karnataka, factors in the satisfactory execution progress as reflected by pre-commissioning of 87 wind turbines out of 93, installation of full battery energy storage systems (BESS) component and completion of first phase of solar capacity comprising 30 MW. The remaining 6 turbines and 51 MW solar capacity is in advanced stages of execution and likely to start operations over the next few months. CARE Ratings takes cognisance of the fact that, the commissioning date of the project has moved by ~10 months, however the same is on account of delay in tariff adoption by one of the offtakers. The extension in commissioning date has also been approved by SECI. However, given that a major part of the loan has already been disbursed, there will be a significant increase in the interest during construction (IDC) cost component. The increase in IDC till 31st March 2024 has been funded by lower utilisation in some of the components viz. contingencies, management shared services and pre-operative expenses. While the scheduled commissioning date of the project is in December 2024, the company has already started selling power from the part capacity on exchanges and expects to realise ~Rs. 120 crore as in-firm/pre commissioning revenue from April to September 2024. Given the IDC component is also likely to increase by another ~Rs. 115 crore from April 2024 to September 2024, CARE Ratings expects the shortfall, if any from pre commissioning revenue to be funded by sponsors.

The ratings continue to derive strength from strong parentage by virtue of RSOPL being promoted by Renew Solar Power Private Limited (RSPPL, rated CARE A+; Stable) which has a long track record in developing and operating renewable power projects. Renew group has 51% ownership in RSOPL and remaining 49% is held by Gentari Renewables Pte Ltd, a subsidiary of Petronas, Malaysia. The ratings derive comfort from the limited period Corporate Guarantee (CG) provided by Renew Private Limited (RPL, RPL, rated CARE A+; Stable/CARE A1+)) and RSPPL, thereby exhibiting reasonably strong form of support towards RSOPL. The guarantee will be valid for at least two years and will fall upon stabilisation of the asset, creation and perfection of security, creation of two quarter's debt service reserve account (DSRA) and achievement of lender's approved base case DSCR among others. The ratings also derive strength from the presence of a long-term power purchase agreement (PPA) with Solar Energy Corporation of India (SECI) which provides strong revenue visibility. SECI has in turn signed power sale agreements (PSAs) for a contracted capacity of 150 MW each with Haryana and Goa distribution utilities. As per CARE Ratings base case, the coverage indicators are expected to remain comfortable with average debt service coverage ratio (DSCR) being upwards of 1.25x for the tenor of the term debt.

However, the ratings are constrained on account of extant execution risk as the full capacity is not yet commissioned. Further, CARE Ratings makes of a note of complex nature of project configuration which includes battery storage for two hours (150 MWh) apart from a large nameplate wind (322 MW) and solar (113 MWp) capacities. As per the PPA, the power producer is also exposed to incurring penalties in case of lower-than-expected generation during the peak hours (penalties to be calculated monthly) as well as lower than expected total generation (to be checked on an annual basis). Given the peak power requirement of six hours in a day and storage capacity being there for only two hours, the project is likely to witness imposition of penalties especially during the low wind season months which may hinder the charging of batteries. The extent of such penalties will be a key credit monitorable for the underlying ratings.

Additionally, the project is exposed to battery augmentation related risks as RSOPL envisages to augment batteries after every 4-5 years and the said expense is expected to be funded through internal accruals. The performance of the batteries in line with the envisaged parameters is a key risk and would remain a monitorable from a credit standpoint. This risk is mitigated due to the presence of guarantees from the system integrator and equipment suppliers. The ratings are adversely impacted due to the leveraged capital structure on account of debt funded capex incurred for setting the project as reflected by expected Total Debt/EBITDA of around ~6.0x in FY26 (first full year of operations). Consequently, the company remains exposed to variations

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

in the interest rates as the debt is linked to floating rates. The credit profile of the asset is also vulnerable to adverse variation in weather conditions which would directly impact the project cash flows.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors**

- Satisfactory operational track record of the plant with actual and peak power PLF in line with contractual terms for a sustained time period
- Ability to ensure generation penalties remain within the range presumed in CARE Ratings base case model

**Negative factors**

- Delay in project execution, resulting in material time/cost overrun for the project
- Actual plant performance remaining lower than envisaged levels as characterised by lower annual PLF, lower peak period PLF and higher penalties/curtailments
- Any weakening of the credit profile of the parent, i.e., Renew Solar Power Private Limited, or any change in linkages/support philosophy between the parent and RSOPL would be a negative factor

**Analytical approach:** Standalone plus factoring in Parent Support. RSOPL is a 51% subsidiary of RSPPL (rated CARE A+; Stable).

**Outlook:** Stable

The Stable outlook on the CARE A- rating of RSOPL reflects CARE Ratings' opinion that the company would benefit from its long-term PPA with SECI. Moreover, given the longstanding experience of the ReNew Group in implementing renewable energy projects, CARE Ratings believes that the project would be commissioned without any major time/cost overrun.

## Detailed description of the key rating drivers:

## Key strengths

**Experienced and resourceful parentage in the form of Renew Private Limited (RPL)**

RSOPL is part of the ReNew Group, among the leading groups developing renewable energy in India. The group has about 9.5 GW operational capacity as on March 31, 2024, against about 7.8 GW as of December 2022-end. Wind, solar, and hydro assets comprise 45%, 44%, and 1%, of the present portfolio, respectively. Going forward, with the full capacity commencing operations, the segment-wise split between wind, solar, and hydro assets is expected at 45%, 54%, and 1%, respectively. The portfolio is well diversified and spread across multiple geographies and contracted to multiple counterparties.

**Limited period corporate guarantee from RPL and RSPPL**

RSOPL is a 51% subsidiary of Renew group and the remaining 49% is held by Petronas Malaysia. RSPPL and RPL have provided a limited period unconditional and irrevocable corporate guarantee for the said facility to RSOPL. The guarantee will be valid for at least two years and will fall upon stabilisation of the asset, creation and perfection of security, creation of two quarter's debt service reserve account (DSRA) and achievement of lender's approved base case DSCR among others.

**Strong revenue visibility on account of presence of long term PPA with SECI**

RSOPL has executed PPA with SECI for the offtake of electricity generated from the entire capacity thereby exhibiting strong revenue visibility for the company. The PPA shall be valid for a period of 25 years from the scheduled commissioning date of project i.e., December 11, 2024. SECI shall purchase power at a tariff of Rs. 2.88 per unit during off peak hours and at a tariff of Rs. 6.85 per unit during peak hours. CARE Ratings further notes that SECI has signed PSAs with Haryana (150 MW) and Goa Discom (150 MW).

## Key weaknesses

**Project execution risk on account of underlying capacity being under implementation stage**

The project configuration includes installation of Battery Energy Storage System (BESS) having contracted capacity of 75 MW (150 MWh) along with large nameplate wind capacity of 322 MW and solar capacity of 113 MW (DC). RSOPL is exposed to extant execution risk as the full capacity is not yet commissioned. However, there has been a satisfactory execution progress as reflected by pre-commissioning of 87 wind turbines out of 93, installation of full battery energy storage systems (BESS) component and completion of first phase of solar capacity comprising 30 MW. The remaining 6 turbines and 51 MW solar capacity is in advanced stages of execution and likely to start operations over the next few months. As on March 31, 2024, the company has incurred total cost of ~Rs. 3318 crore out of the envisaged cost of ~Rs. 3620 crore. This cost has been funded through equity infusion of Rs. 910 crore by Renew and Petronas Group and long-term debt/LCs of Rs. 2251 crore (rest being capital creditors). CARE Ratings takes cognisance of the fact that, the commissioning date of the project has moved by ~10 months, however the same is on account of delay in tariff adoption by one of the offtakers. The extension in commissioning date has also been approved by SECI. However, given that a major part of the loan has already been disbursed, there will be a significant increase in the interest during construction (IDC) cost component. The increase in IDC till 31st March 2024 has been funded by lower utilisation in some of the components viz. contingencies, management shared services and pre-operative expenses. Given the fact that there is no shifting in repayment schedule, the moratorium for the company has reduced. While the scheduled commissioning date of the project is in December 2024, the company has already started selling power from the part capacity on exchanges and expects to realise ~Rs.120 crore as in-firm/pre commissioning revenue from April to September 2024. Given the IDC component is also likely to increase by another ~Rs. 115 crore from April 2024 to September 2024, CARE Ratings expects the shortfall, if any from pre commissioning revenue to be funded by sponsors. CARE Ratings believes that the project would be commissioned without any major time/cost overrun.

**Risk pertaining to performance of battery and capex on battery augmentation**

The project is dependent on the performance of BESS as they would serve as a key medium to supply power during the peak hours. As articulated by the management, BESS would have a life of ~6000 cycles and daily usage of battery storage is expected to average around one cycle. Moreover, the company has entered into a 20-year agreement with battery supplier and system integrator wherein, liquidated damages (LD) have been stipulated for shortfall in annual availability, round trip efficiency of battery, etc. Although, the extent of LDs would not entirely compensate the project SPV for the actual losses suffered.

Additionally, the project is exposed to battery augmentation related risks as RSOPL envisages to augment batteries after every 4-5 years and the said expense is expected to be funded through internal accruals. The performance of the batteries in line with the envisaged parameters is a key risk and would remain a monitorable from a credit standpoint.

**Risk of lower generation especially during the peak hours**

As per the PPA, the power producer is also exposed to incurring penalties in case of lower than expected generation during the peak hours (penalties to be calculated monthly) as well as lower than expected total generation (to be checked on an annual basis). Given the peak power requirement of six hours in a day and average power generation from storage capacity expected for only two hours, the project is likely to witness imposition of penalties especially during the low wind season months. The extent of such penalties will be a key credit monitorable for the underlying ratings.

**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.

**Leveraged Capital structure along with exposure to interest rate risk**

The project is funded through a debt equity mix of 75:25. Given the large debt funded capex, the capital structure is expected to be leveraged as reflected by expected Total Debt/EBITDA of around ~6.0x in FY26 (first full year of operations). Moreover, due to the single-part nature of fixed tariff in PPA and floating interest rate, company's profitability remains exposed to fluctuation in interest rates. Moreover, the debt protection metrics are expected to remain moderately comfortable as reflected by average DSCR being upwards of 1.25x throughout the tenor of long-term facility as per CARE's base case scenario. Further, the company's profitability remains exposed to adverse movement in interest rates as the interest rates are on floating basis.

## **Liquidity**: Adequate

The overall project capex is ~Rs. 3620 crore which is funded in debt-equity ratio of 75:25. The project has already achieved financial closure and the requisite promoter's contribution of Rs 910 crore has already been infused. Over and above, in case there is any shortfall, the promoter group is expected to bridge the gap, through infusion of funds. Post commissioning of the project, the gross cash accruals are expected to be adequate to service its debt obligations. As per CARE Rating's base case, GCA for FY26 (first full year of operations) is expected to be ~Rs. 152 crore as against annual repayments of around Rs. 119 crore.

## 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
Project stage companies
Infrastructure Sector Ratings
Solar Power Projects
Wind Power Projects
Short-Term Instruments

## About the company and industry

### Industry classification

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

RSOPL, incorporated in November 2019, is a special purpose vehicle promoted by Renew Solar Power Pvt Ltd (RSPPL, rated CARE A+; Stable) which in turn is a wholly owned subsidiary of Renew Private Limited (RPL, rated CARE A+; Stable / CARE A1+). RSOPL is 51% owned by RSPPL and remaining 49% is owned by Gentari Renewables Pvt Ltd (a subsidiary of Petronas Malaysia).

The company has set up a 300 MW hybrid power plant along with storage facility in state of Karnataka. The project is a wind dominated hybrid power plant wherein, wind capacity is 322 MW and solar capacity is 81 MW (AC) [113 MW DC]. Along with the said capacities, the company has also installed Battery Energy Storage System (BESS) having capacity of 75MW (150 MWh) in line with bid requirements.

**Brief Financials –** RSOPL Standalone – Not Applicable, since the project under RSOPL is in an implementation stage

**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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Non-fund-based - LT/ ST-Bank Guarantee | | - | - | - | 100.00 | CARE A-; Stable / CARE A2+ |
| Non-fund-based - LT/ ST-Loan Equivalent Risk | | - | - | - | 43.00 | CARE A-; Stable / CARE A2+ |
| Term Loan-Long Term | | - | - | 31-December-2043 | 2710.14* | CARE A-; Stable |

*Includes Capex LC of Rs 2455 crore as Sub Limits

## 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 2024-2025 | 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 |
| 1 | Term Loan-Long Term | LT | 2710.14* | CARE A-; Stable | - | 1)CARE A-; Stable (28-Jun-23) | - | - |
| 2 | Non-fund-based - LT/ ST-Bank Guarantee | LT/ST | 100.00 | CARE A-; Stable / CARE A2+ | | | | |
| 3 | Non-fund-based - LT/ ST-Loan Equivalent Risk | LT/ST | 43.00 | CARE A-; Stable / CARE A2+ | | | | |

LT: Long term; ST: Short term; LT/ST: Long term/Short term
*Includes Capex LC of Rs 2455 crore as Sub Limits

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

## Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Non-fund-based - LT/ ST-Bank Guarantee | Simple |
| 2 | Non-fund-based - LT/ ST-Loan Equivalent Risk | Simple |
| 3 | Term Loan-Long Term | Simple |

## Annexure-5: Lender details

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|---|
| 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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