

Renew Wind Energy (Jamb) Private Limited

July 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-Convertible Debentures#	500.00	CARE A+ (CE); Stable#	Final rating confirmed

Details of instruments/facilities in Annexure-1.

#Rating is backed by an unconditional, irrevocable, and legally enforceable corporate guarantee extended by Renew Private Limited (RPL, rated CARE A+; Stable/ CARE A1+).

Unsupported rating	CARE BBB [Reaffirmed]
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Note: Unsupported rating does not factor in the explicit credit enhancement.

Rationale and key rating drivers for the credit enhanced debt

The final rating assigned to the NCD of ₹500 crore of Renew Wind Energy (Jamb) Private Limited (RWEJPL) is on the account of the execution of the relevant documents viz. the corporate guarantee (CG) deed extended by RPL and term sheet for NCDs. The executed documents are on the similar lines to the draft versions considered by CARE Ratings at the time of assigning provisional ratings. The executed CG is unconditional, irrevocable, legally enforceable and has a well-defined T Minus invocation and payment mechanism.

Rationale and key rating drivers of RPL

To arrive at the ratings of Renew Private Limited (RPL), CARE Ratings has considered the consolidated financial statements of the company. Further, CARE Ratings has also considered the debt availed by Renew Energy Global Plc. (REG) in its analysis as servicing for the same is dependent on the cash flow generation from RPL's operations.

The reaffirmation of the ratings assigned to the long term and short term bank facilities of RPL takes into account the improvement in financial flexibility of the platform due to Canada Pension Plan Investment Board (CPPIB) becoming the majority shareholder in the platform and satisfactory operational performance at the consolidated level. As on September 30, 2023, CPPIB's economic shareholding in REG, i.e. parent of RPL stands at ~54% and CPPIB has 2 representatives on REG's board, out of the 10 total seats. In CARE Ratings' opinion, augmentation of investor base with CPPIB becoming the majority shareholder is expected to result in strengthening of governance standards, tightening of control over the operations and enhance the market reach of Renew Group.

The ratings continue to favourably factor in Renew's long experience with a leadership position in the renewable energy segment along with its track record of periodically recycling invested capital as exhibited through capital turnaround of ~550 million USD over the last 24 months. Further, CARE Ratings takes into account significant reduction in receivables supported by receipt of past dues from majority of the state distribution utilities. Consequently, days of sales outstanding (DSO) stand reduced to 112 days as on H1 FY24 end as against 231 days as on H1 FY23 end.

Diversification of RPL's operating and under-construction portfolio comprising 8.3 GW and 5.4 GW respectively across geographies, technology and counterparties are other credit strengths. The ratings also factor in presence of long-term power purchase agreements (PPAs) for the portfolio at large, imparting strong revenue visibility. CARE Ratings, notes that the proportion of stronger counterparties in the portfolio is expected to rise from 40% as on H1 FY24 end to ~60% once the entire 13.7 GW portfolio becomes operational, which is a credit positive.

The aforementioned rating strengths are however tempered by the company's leveraged capital structure, attributed to the debt funded capex along with refinancing risks, given that ~52% of the outstanding debt has maturities within FY24-FY30. Consequently, in case of hardening of yields, the cash flows and coverage indicators can be adversely impacted. Further, there has been a significant increase in the non-project debt which is attributable to the higher under-implementation capacity and share buyback at the REG level. The increase in the non-project debt does entail the need to raise incremental equity capital over the near term, and as articulated by the management, they intend to recycle capital to meet such requirements. The ability of the company to steadily reduce its non-project debt would be a key credit monitorable.

CARE Ratings also notes that a part of erstwhile scheduled FY23 capex has been shifted to FY24 thus raising the leverage levels on a consolidated basis. RPL's Net Debt to EBITDA is likely to surpass its earlier threshold guidance of 7.5x at the end of FY24 and improve thereafter. Following lower capex trend led by industry wide slowdown, Net Debt to EBITDA stood at 7.0x for FY23

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

in contrast to CARE Ratings previous estimate of the same breaching 7.5x. The inherent execution risks pertaining to the implementation of large-scale renewable energy projects and the exposure of the company's performance to adverse variation in weather conditions, given the single part tariff for most of the underlying projects are other credit weaknesses.

CARE Ratings Ltd. confirms the rating assigned to the above-mentioned NCDs of Rs. 500 crores following the submission of the below-mentioned documents:

- a. Corporate guarantee deed by RPL
- b. Term sheet for NCDs

Key rating drivers of RWEJPL

The reaffirmation of unsupported rating assigned to RWEJPL positively factors in the strong sponsor strength by virtue of it being a wholly owned subsidiary of RPL. Further, the robust pipeline capacity of Renew Group provides revenue visibility for the entity as this is one amongst the few entities through which group procures modules, turbines, inverters, batteries, and balance of plant (BoP) material required to functionalise a power plant. However, the standalone rating is constrained by the modest financial risk profile as reflected by low profitability margins, elongated receivable cycle and modest debt protection metrics.

Rating sensitivities: Factors likely to lead to rating actions - RPL

Positive factors

- Improvement in operating performance as reflected by annual PLF being above P 90 levels along with recovery in collection period with receivables remaining below 120 days on a sustained basis
- Enhanced leverage and coverage indicators for the consolidated portfolio translating in improvement in Net Debt/EBITDA below 6.0x on a sustained basis

Negative factors

- Sustained underperformance in generation of the overall portfolio and deterioration in receivable profile as reflected by increase in receivables beyond 250 days
- Slower than expected deleveraging of the portfolio resulting in Net Debt/EBITDA crossing 7.5x on a sustained basis
- Dilution in support philosophy of CPPIB towards the Renew group

Analytical approach:

Credit Enhanced Rating: Rating is backed by the credit enhancement in form of unconditional and irrevocable corporate guarantee provided by RPL in favour of the entity.

Unsupported Ratings: Standalone plus factoring in parent support. RWEJPL is a wholly owned subsidiary of RPL.

Outlook: Stable

The Stable outlook on the CARE A+ (CE) rating of RWEJPL reflects CARE Ratings' opinion that the company will be able to scale up its operating portfolio by commissioning the underlying projects within scheduled timelines. Further, the outlook is supported by the presence of long term PPAs for the underlying capacities.

Detailed description of the key rating drivers - RPL

Key strengths

Strong financial flexibility on account of CPPIB being the majority shareholder

RPL is the flagship company of the group and a subsidiary of REG, which is listed on NASDAQ. The group has experience of over a decade in developing and operating renewable energy projects and is one of the leading renewable energy developers in India having a cumulative capacity of 13.7 GW as on October 25, 2023. In the past, the group has secured investments from multiple private equity, financial institutions, pension funds etc. thereby signifying its healthy financial flexibility. The group has ongoing plans to enter in related business verticals viz. module manufacturing, transmission, green hydrogen etc.

CPPIB has been an investor in the Renew group since 2018-19 and over the years its economic interest in the platform has increased with CPPIB's economic shareholding in REG, i.e. parent of RPL increasing to ~54% as on September 30, 2023. CPPIB has 2 representatives on REG's board, out of the 10 total seats with 6 representatives being independent directors, 1 representative from Abu Dhabi Investment Authority (ADIA) and 1 seat held by Renew Group's founder, Chairman & CEO viz. Mr.

Sumant Sinha. In CARE Ratings' opinion, association with CPPIB is expected to augment the overall financial flexibility, result in strengthening of governance standards, tightening of control over the operations and enhance the market reach of Renew Group. Any dilution in the support philosophy from CPPIB towards Renew group would be a key credit monitorable.

Diversified portfolio in terms of technology and geography

Renew group has operational capacity of ~8.3 GW as of October 25, 2023 vis-à-vis ~7.7 GW as of November 2022 end. Out of incremental commissioned capacity of ~0.7 GW (excluding sale of 0.1 GW state assets), majority has become operational in H1 CY23 (between March 2023 to June 2023), and operations for this capacity is expected to stabilize over the near term.

Wind, solar and hydro assets comprise 50%, 49% and 1% of the present portfolio respectively and going forward, once the full capacity becomes operational, the segment wise split between wind, solar and hydro assets is envisaged at 47%, 52% and 1% respectively. The portfolio is well diversified and spread across multiple geographies and contracted to multiple counterparties.

Revenue visibility due to presence of long term PPAs for majority of the portfolio

RPL's credit profile is supported by the presence of long term PPAs for most of its underlying assets. As on H1 FY24 end, approximately 87% of PPAs with central government agencies and distribution utilities had a term of 20 years and more, while the remaining PPAs had an average term of 13 years. Similarly, PPAs with private commercial and industrial users have a term ranging from 8 to 25 years.

Established presence with an average track record of close to three years of operational capacity; cost competitiveness is high

The group has been in the energy business since 2011 and has built-up assets organically as well as inorganically. The group has an established presence as reflected by the weighted average track record of approximately four years for the operating capacity. The weighted average tariff for the portfolio is Rs. 4.2 per unit reflecting company's cost-competitiveness. Furthermore, most of the plain vanilla capacities under development have been bid at cost competitive tariff of sub Rs. 3 per unit, which is expected to further improve cost competitiveness of the portfolio once these assets are commissioned.

Improvement in operating performance in FY23; however, generation performance remains below benchmarks

The generation performance of the operating portfolio improved in FY23 as against previous year, primarily on account of better generation from the solar plants. Further, the generation levels during H1 FY24 in comparison with H1 FY23 levels have improved due to better resource availability for the wind assets. However, as against the designed energy estimate, the operating performance remained ~5% lower. Going forward, CARE Ratings expects the generation from the operational solar assets to be in line with the P-90 estimates, whereas wind assets are expected to perform below their respective designed estimates and in line with the historical trend.

Significant reduction in receivable position

The overall receivable position of the company has improved as reflected by reduction in outstanding debtors to ~Rs. 3070 crore and ~Rs. 2870 crore as on FY23 end and H1 FY24 end respectively. As on FY22 end, the overall receivables stood at ~Rs. 4600 crore. The receivables have come down primarily due to receipt of past overdues from state utilities as most of the company's offtakers have opted for the late payment surcharge (LPS) scheme.

However, there still continues to be ~Rs. 1000 crore outstanding with AP discom out of which ~30% is current dues and the remaining is past overdues. The past overdues are on account of discom withholding amount for generation-based incentive (GBI) received by power producers from IREDA, discom not paying the generators for actual generation beyond the normative PLF considered at the time of determining of tariff and reconciliation issues. As articulated by the management, the contested receivables are sub-judice and the group is expecting a resolution before FY24 end on the said matter.

Successful recycling of capital through asset sale and joint ventures in the last 18-24 months

The group has been successful in mobilising capital worth ~565 million USD through sale of assets, selling minority stakes, and forming joint ventures. Some of the major deals include selling 49% stake in transmission assets, selling rooftop portfolio of 138 MW, selling 400 MW assets contracted with state discoms, and selling 49% stake in the group's round the clock (RTC) power project. Going forward, the group is expected to mobilise capital through selling minority stake to strategic partners in some of the other key projects like module manufacturing, C&I sub Holdco etc.

Key weaknesses

Leveraged capital structure of the company

The capital structure of RPL is leveraged on account of debt funded capex incurred for setting up renewable energy projects. Further, RPL also has a non-project debt of ~Rs. 9,500 crore as on H1 FY24 end and the gearing levels stood at 3.7x as on FY23 end. As per CARE Ratings' base case scenario, gearing is expected to be around 4.0x over FY24-25. The weakening in capital structure is primarily attributed to the rise in debt levels to fund the underlying under-construction capacity. The company is expected to incur a capex of ~Rs. 22,000 crore over the next 18 months (H1 FY24 to FY25) and the same is estimated to be funded through a debt to equity mix of 3:1. Given the high capex, it is likely to result in slower than envisaged deleveraging of the portfolio.

Moreover, there has been a significant increase in the non-project debt which is attributable to the higher under-implementation capacity and share buyback at the REG level. The increase in the non-project debt does necessitate the need to raise incremental equity capital over the near term, and as articulated by the management, they intend to recycle capital to meet such requirements. The ability of the company to steadily reduce its non-project debt would be a key credit monitorable.

CARE Ratings also notes that a part of erstwhile scheduled FY23 capex has been shifted to FY24 thus raising the leverage levels on a consolidated basis. RPL's Net Debt to EBITDA is likely to surpass its earlier threshold guidance of 7.5x at the end of FY24 and improve thereafter. Following lower capex trend led by industry wide slowdown, Net Debt to EBITDA stood at 7.0x for FY23 in contrast to CARE Ratings previous estimate of the same breaching 7.5x.

Additionally, ~52% of the group's debt is short to medium term in nature, thereby exposing the company to refinancing risks. Given the long-term nature of the underlying assets and short/medium term financing instruments at a fixed rate of interest, the company remains exposed to refinancing and rolling over the debt at competitive interest rates. However, in CARE Ratings opinion, with CPPIB becoming the majority shareholder, the financial flexibility of the group stands augmented which shall aid in refinancing of the existing debt obligations.

Large projects under implementation thereby exposing the company to execution risks

The group has an under-implementation portfolio of 5+ GW as on date and as a result group remains exposed to challenges pertaining to execution. Given the large size of the projects under execution, the company remains exposed to execution risk and funding risk. Moreover, the present mix also includes challenges associated with manufacturing, transmission, storage-based projects apart from plain vanilla wind and solar projects. However, the group's strong expertise and track record in the renewable energy segment is expected to aid in timely project execution. The ability of the group to execute the capacities under development in a timely manner, without any major cost overrun, will be critical from a credit standpoint.

Moderate counterparty credit risk given more than 50% of the operational portfolio is contracted to state discoms Although share of stronger counterparties expected to increase

RPL is exposed to counterparty credit risk as 52% of the group's operational capacity is tied up with state discoms having moderate to weak financial credit profile. The payment pattern from state discoms generally remains elevated, thereby stretching the receivable cycle. However, the counterparty risk is mitigated to some extent as no individual state discom accounts for more than 13% of the operational capacity. Further 40% of the capacity is tied up with strong offtakers viz, central counterparties, GUVNL and C&I customers. The capacities contracted to the stronger customers is expected to increase to ~59% once the pipeline capacity is commissioned.

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. The geographical concentration of asset amplifies the generation risk.

Liquidity: Adequate

As on September 2023 end, RPL on a consolidated level has cash and bank balances of ₹8,300 crores. The internal sources are expected to remain adequate to fund the equity requirements for the next two years. Moreover, as articulated by the management, Renew Group remains committed to maintain a liquidity buffer of ~₹2000 crore at all times to support the overall portfolio.

As per CARE Ratings' base case, annual GCA for FY24 and FY25 is expected to be ~₹2,250-3,150 crore as against annual repayments (net of refinancing) of ~₹1,850-2,050 crore.

Applicable criteria

[Definition of Default](#)
[Rating Credit Enhanced Debt](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Construction](#)
[Infrastructure Sector Ratings](#)
[Wind Power Projects](#)

Adequacy of credit enhancement structure: For ₹500 crores NCDs - The explicit credit enhancement reflects the unconditional, irrevocable and legally enforceable guarantee proposed to be extended by RPL which has a structured T Minus payment mechanism. CARE Ratings believes RPL's guarantee, and the structured payment mechanism will support the timely repayment of the debt in full. CARE Ratings has also considered multiple scenarios to test the adequacy of the credit enhancement structure. It believes the financial obligations of the credit enhanced debt can be honoured, even in the stress scenarios.

About the Credit Enhancement Provider

RPL, formerly known as Renew Power Private Limited (RPPL), incorporated in January 2011, is primarily engaged in the development of renewable energy projects. The company is one of the early entrants and a leading renewable energy developer in India, with around 9.5 GW of operational capacity spread across multiple states as on March 31, 2024.

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	8,322	8,551
PBILDT	6218	6709
PAT	-303	783
Overall gearing (times)	3.71	4.02
Interest coverage (times)	1.24	1.51

A: Audited; UA.: Unaudited; The above financials have been adjusted as per CARE Ratings' criteria.

Note: 'the above results are latest financial results available'

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

RWEJPL, is a wholly owned subsidiary of RPL. The company is undertaking in-house EPC work for renewable power projects being developed by Renew group (roof-top solar projects and ground mounted solar projects). The company also supplies modules to some SPV's of RPL on demand basis.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	627.3	181.6
PBILDT	-3.2	11.8
PAT	-35.1	24.8
Overall gearing (times)	-3.73	-0.30
Interest coverage (times)	-0.15	1.41

A: Audited; Prov.: Provisional; The above financials have been adjusted as per CARE Ratings' criteria.

Note: 'the above results are latest financial results available'

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
Debentures-Non Convertible Debentures	INE361P07013	22-July-2024	10.18%	22-Aug-2025	500.00	CARE A+ (CE); Stable
Un Supported Rating		-	-	-	0.00	CARE BBB

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	Debentures-Non-Convertible Debentures	LT	500.00	CARE A+ (CE); Stable	Provisional CARE A+ (CE); Stable (28 June-24)			
2	Unsupported rating	LT	0.00	CARE BBB	CARE BBB (28 June-24)			

LT: Long term

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

Name of the Instrument	Detailed Explanation
A. Financial covenants	At Guarantor Level: - Consolidated Net Leverage Ratio 7.5x - Net Priority Debt Leverage Ratio 6.5x - Debt Service Coverage Ratio 1.1x
B. Non-financial covenants	- Charge over the following assets of the Issuer: Pari Passu charge over all current & movable assets and investments of the Issuer (other than the Project Assets and any other assets exclusively charged to other lenders on or before the execution date of Debenture Trust Deed), and - Corporate Guarantee from the Guarantor to cover the default in payment of other monies due to the Debenture Holders
Security	
Corporate Guarantee	RPL shall provide unconditional, legally enforceable, and irrevocable corporate guarantee to the company.

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Un Supported Rating	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:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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