

HUOBAN ENERGY 1 PRIVATE LIMITED

July 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	90.20 (Reduced from 93.00)	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on the bank facilities of Huoban Energy 1 Private Limited (HE1), which is operating a 30 MW_{DC} (20 MW_{AC}) solar power plant in Maharashtra, factors in operational track record of ~2 years with generation being in-line with the designed estimates and collection being timely. Further, CARE Ratings factors in the favourable resolution of the issue pertaining to levy of excess wheeling charges on HE1's customer on account of which it had previously been realising payments at 75% of the applicable tariff. The past overdues have also been cleared and company is now realising current invoices at applicable tariff.

The rating continues to factor in strong and resourceful parentage of the entity by virtue of it being a part of the Fourth Partner Group (Fourth Partner Energy Private Limited, FPEPL), which has a long track record of developing and operating solar power projects. The stated posture of the group towards HE1 remains strong as reflected by a limited period Corporate Guarantee (CG), which is expected to fall post fulfilment of the conditions stipulated by the lender. Further, the credit profile of HE1 continues to be supported by the presence of long-term (25 years) power purchase agreement (PPA) at Rs. 3.25 per unit for the entire capacity with Saarloha Advanced Materials Private Limited (SAM) under group captive mechanism. Moreover, CARE Ratings notes that the company has only drawn 75% of the total sanctioned debt as of now and the rest of the project cost is funded by shareholders. As articulated by the management, the company does not intend to take a disbursal of the remaining portion of the term loan and hence, CARE Ratings in its base case has only factored the outstanding debt. The coverage indicators of the project are comfortable as reflected by average DSCR being upwards of 1.4x for the tenor of the debt.

The aforementioned strengths of HE1 are partially offset by its leveraged capital structure, as reflected by Total External Debt/Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of 5.6x as on FY24 end. Further, the project cash flows are exposed to adverse variation in weather conditions given the single part tariff for the project. The rating is also constrained due to interest rate fluctuation risk and geographical concentration risk given the full capacity is located in a single state.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Actual generation being in line with P90 levels along with receivable cycle remaining below 60 days on a sustained basis resulting in strong liquidity position
- Faster than expected deleveraging of the project
- Improvement in credit profile of the ultimate parent (FPEPL)

Negative factors

- Significant underperformance in generation and/or any increase in the debt weakening the cumulative DSCR on project debt to less than 1.15x times, on a sustained basis
- Non-adherence to the power purchase agreement (PPA) terms by the offtaker including timely receipt of payments and honouring of tariff for full PPA tenor
- Weakening of the credit profile of the ultimate parent or any change in linkages/support philosophy of FPEPL towards HE1

Analytical approach: Standalone plus factoring in parent support

CARE Ratings expects HE1's parent, FPEPL, to be willing to support HE1, should there be a need, given the importance of HE1 to FPEPL.

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

Outlook: Stable

The stable outlook on the CARE A- rating of HE1 reflects CARE Ratings' opinion that the company would benefit from its long-term PPA with SAM. Also, the expectation of satisfactory generation and collection performance supports the outlook.

Detailed description of the key rating drivers:

Key strengths

HE1 benefits on account of being a part of the Fourth Partner Group and presence of strong investors

HE1 is a wholly owned subsidiary of Huoban Private Limited (HPL), which in turn, is a subsidiary of FPEPL. FPEPL is a leading RE solutions provider across South and Southeast Asia and is backed by the RISE Fund (TPG) and Norwegian Sovereign Fund (Norfund). During Q1-FY24, a consortium of investors comprising DEG, International Finance Corporation (IFC), and Asian Development Bank (ADB) invested in FPEPL. Consequently, Norfund 30% of the group is held by Norfund, 24% by IFC, 20% by ADB, 10% by DEG, 8% by TPG, and the remaining by promoter.

The group has a total operational capacity of 1.06 GW as of June 2024 end, which is expected to be 1.6 GW by FY25 end. By September 2025, the group intends to achieve a total asset portfolio of 3.5 GW.

The stated posture of the group towards HE1 remains strong as reflected by a limited period Corporate Guarantee (CG), which is expected to fall post fulfilment of the conditions stipulated by the lender.

Operational track record of ~2 years along with satisfactory generation and collection performance

The project has an operational track record of ~2 years along with generation being in line with the designed estimates as reflected by FY24 PLF of 17.50% vis-à-vis P90 estimate of 17.57%. Moreover, the collection performance of the project is satisfactory as the payments are being realised within 35 days of raising an invoice. CARE Ratings takes into cognizance the favourable resolution of the issue pertaining to levy of excess wheeling charges on HE1's customer on account of which it had previously been realising payments at 75% of the applicable tariff. The past overdues have also been cleared and company is now realising current invoices at applicable tariff.

Long-term revenue visibility on account of PPA with SAM under the group captive mechanism

The company has signed a long-term (25 years) PPA with SAM at a fixed tariff of Rs. 3.25 per unit for the entire capacity under the 'group captive' mechanism. Under the same, open access charges such as cross subsidy surcharge and additional surcharge are not applicable thereby making the power sales more competitive. Moreover, the presence of enabling clauses such as lock in period and compensation to the developer in case of an early exit by the customer act as the necessary safeguards.

Key weaknesses

Leveraged capital structure albeit healthy debt coverage indicators

The capital structure of the company is leveraged as reflected by Total External Debt/EBITDA of 5.6x as on FY24 end. CARE Ratings notes that the company has only drawn 75% of the total sanctioned debt as of now and the rest of the project cost is funded by shareholders. As articulated by the management, the company does not intend to take a disbursement of the remaining portion of the term loan and hence, CARE Ratings in its base case has only factored the outstanding debt. The coverage indicators of the project are comfortable as reflected by average DSCR being upwards of 1.4x for the tenor of the debt.

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.

Liquidity: Adequate

As on March 2024 end, the company had free cash and bank balance of Rs. 6.2 crore. Apart from this, the company is also maintaining DSRA amounting to Rs. 4.3 crore equivalent to two quarters of debt servicing obligations.

Going forward, CARE Ratings expects generation and collection performance to remain in-line with the existing trends. Per the base case scenario, the GCA for FY25 and FY26 is expected to be rangebound between Rs. 5.3 crore and Rs. 6.1 crore as against repayment of Rs. 2.8 crore and Rs. 3.0 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](#)
[Infrastructure Sector Ratings](#)
[Solar Power Projects](#)

About the company and industry

Industry classification

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

HE1, incorporated on September 23, 2021, is a special purpose vehicle and a step-down subsidiary of 4PEPL, held through HPL. HE1 is operating a 30 MW_{DC} (20 MW_{AC}) solar power plant in Dhule district of Maharashtra. The project achieved commissioning on September 30, 2022 and has signed a long-term (25 years) PPA with Saarloha Advanced Materials Private Limited for the entire capacity under group captive mechanism. The PPA is signed at a fixed tariff of Rs. 3.25 per unit for the full tenor of the project.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	7.38	15.15
PBILDT	5.18	11.83
PAT	-1.68	-4.84
Overall gearing (times)	4.60	5.93
Interest coverage (times)	0.90	1.08

A: Audited P: Provisional; 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
Fund-based-Long Term		-	-	-	90.20	CARE A-; 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 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	Fund-based-Long Term	LT	90.20	CARE A- ; Stable	-	1)CARE A- ; Stable (22-Jun-23)	-	-

LT: Long term; ST: Short term; LT/ST: 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-Long Term	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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