

RENEW PHOTOVOLTAICS PRIVATE LIMITED

September 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2,546.00	CARE A-; Stable	Assigned
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Renew Photovoltaics Private Limited (RPVPL) takes note of successful tie-up of fresh long-term debt for funding the debt requirements of its under-construction capacity along with refinancing the previously existing term debt pertaining to its 4 GW operational capacity. Consequently, CARE Ratings has withdrawn its previously outstanding rating on RPVPL's previous term loan facility, as the lender has issued a No Dues Certificate.

The rating is supported by strong parentage by virtue of RPVPL being a step-down subsidiary of Renew Private Limited (RPL, rated CARE A+; Stable/CARE A1+) which has a long track record in developing and operating renewable power projects. RPVPL continues to remain strategically important, given the strong business linkages with the Renew Group. RPVPL is the group's manufacturing arm which is currently into module manufacturing and the company intends to commence cell manufacturing by March 2025. This company offers strategic benefits to the group as it is a part of approved list of module manufacturers (ALMM). The explicit posturing from RPL is strong as reflected by the presence of unconditional and irrevocable corporate guarantee which is valid for the entire tenor of the rated facilities. Going forward, with increase in barriers to import solar modules, RPVPL would be a key enabler towards supplying RPL with the requisite solar modules to meet the construction requirements for its underlying projects.

The rating further derives strength from the favourable demand outlook for domestic solar module manufacturers supported by various policy measures introduced by Government of India. The imposition of basic customs duty (BCD) on imported solar cells and modules and requirement of procuring modules from suppliers included in ALMM offers the necessary protection for domestic manufacturers over the medium term.

The rating is, however, constrained on account of execution risk for the under-development capacity of 2.5 GW solar cells and 2.4 GW solar modules. Further, the business operations and profitability of the company are exposed to demand risk, movement in the prices of raw materials, and technology related risks given the evolving nature of solar module manufacturing technologies. The rating is further constrained on account of the leveraged capital structure and interest rate risk, given the debt funded capex for setting up the project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful commissioning of the entire project without any time and cost overruns and consequent ramp up in production and offtake over a sustained period of time
- Faster than expected deleveraging of the project

Negative factors

- Significant time and cost overrun in commissioning of the entire project
- Delay in ramp up of production and offtake over a sustained period of time
- Any underperformance in capacity utilization levels and/or any increase in the debt levels weakening the cumulative DSCR on project debt to less than 1.2 times, on a sustained basis
- Weakening of the credit profile of the parent, i.e., Renew Private Limited, or any change in linkages/support philosophy between the parent and RPVPL

Analytical approach: Standalone plus factoring in parent support

CARE Ratings expects RPVPL's parent, RPL to be willing to extend financial support to RPVPL, should there be a need, given the high strategic importance that RPVPL has for RPL.

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

Outlook: Stable

The stable outlook on the CARE A- rating of RPVPL reflects CARE Ratings' opinion that the company will be able to execute the balance portion of the under-construction capacity in a timely manner and ramp up its production as per envisaged timelines. Further, the outlook is supported by the expected robust demand for domestically manufactured solar modules over the near to medium term.

Detailed description of key rating drivers:**Key strengths****Strong parentage and operating track record of Renew group in renewable energy segment**

RPVPL is a step-down subsidiary of RPL. RPL is one of the largest renewable energy developers in India. ReNew group has total operating capacity of ~9.6 GW, committed capacity of 6.1 GW and pipeline capacity of 5.8 GW as on June 24 end. The portfolio is well diversified and spread across multiple geographies and contracted to multiple counterparties.

Strong business linkages with the promoter group

RPVPL has strong business linkages with the promoter group and is strategically important for the group as it is the sole module manufacturing entity in the group and has integrated backwards up to cell manufacturing. The same is exhibited by the presence of an unconditional and irrevocable CG from RPL which is valid for the entire tenor of the rated facilities. RPVPL is in a line of business that RPL considers high on priority as it offers strong long term strategic benefits. Furthermore, the operations of RPL and RPVPL are expected to become highly integrated over the near to medium term.

Strong revenue visibility on account of captive consumption requirements for the Renew group

Majority output of the project is expected to be utilized in-house by Renew group entities for their impending solar projects which provides revenue visibility for the company. Renew group has under construction solar capacity of ~4 GW at present and the group further plans to reach 18 GW capacity by 2025. A major portion of this addition is expected to be from solar power plants thereby providing offtake visibility for RPVPL. Recently, the company has also won orders from marquee customers including SECI, NTPC, and L&T for supplying domestic solar modules aggregating to ~650 MW.

Favourable demand outlook for domestic module manufacturers and supportive government policies

To promote solar module manufacturing in India and reduce dependence on imports, the Government of India has introduced various policy measures to benefit domestic manufacturers over the past two years. Of these measures, the imposition of BCD of 40% and 25% on imported solar modules and solar cells respectively from April 1, 2022, is expected to be a key growth driver for the domestic manufacturers by making them cost-competitive compared to Chinese players. Additionally, the requirement of procuring solar modules from only those suppliers which included in ALMM and introduction of production-linked incentive (PLI) scheme to promote backward integrated plants, are also expected to benefit domestic module manufacturers over the medium to long term. Moreover, the capital subsidy announced for residential and commercial customers under the PM Surya Ghar Muft Bijli Yojana is expected to provide a fillip to rooftop solar installations, adding to the demand for domestically produced modules.

Key weaknesses**Project execution risk on account of 2.5 GW cell and 2.4 GW module capacity being under implementation stage**

Though RPVPL has successfully completed its 4 GW module capacity in Rajasthan, it is exposed to execution risk pertaining to 2.5 GW cell and 2.4 GW module capacity in Gujarat which is under construction. At present, the progress in this project has been supported by more than envisaged equity contribution by Renew group. CARE Ratings expects the under-construction projects under RPVPL to become operational in line with the given timelines i.e. 2.4 GW module line by September 2024 end and 2.5 GW cell line by March 2025 end. The successful completion of the project without any material cost and time overrun would continue to be a key credit monitorable.

Technology risk owing to the evolving technology for solar cells and modules

RPVPL is exposed to technology risk since solar cells and modules are subject to technical advancements thereby exposing the products manufactured by the company to risk of obsolescence in terms of technology. Nevertheless, as per the management, company plans to operate the plant in a modular fashion enabling it to switch from Mono PERC technology to Topcon technology with nominal additional capex. As per the current sanctioned terms, the company is required to create reserve for technology

upgradation from project cashflows within five years from COD which will ensure availability of funds required for upgrading/replacing the plant and machinery.

Profitability remains exposed to demand risk and fluctuations in raw materials prices

The financial metrics of the company can be adversely impacted in case of lower offtake from the plant. Further the profitability margins of RPVPL remain exposed to volatility in prices of raw materials viz. wafers and cells. Moreover, this is the first initiative of the group in the manufacturing domain and would entail streamlining of the supply chain. The ability of the company to effectively manage the same would be a key credit monitorable.

Leveraged capital structure along with exposure to interest rates fluctuations

RPVPL's capital structure is expected to be leveraged on account of debt-funded capex incurred for setting up the project. Additionally, the operations are expected to be working capital intensive. The cash flows are thus expected to remain exposed to interest rate movements.

Liquidity: Adequate

The liquidity position of the company is adequate as RPVPL has free cash and bank balance of ~Rs 198 crore and ~Rs. 26 crore as restricted cash balance as on May 31, 2024. Going forward, CARE Ratings expects the internal accruals of the company to be adequate to service its debt obligations.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

RPVPL, incorporated in November 2020, is a subsidiary promoted by RPL. The company is operating a 4 GW solar module manufacturing facility located in Jaipur, Rajasthan. As on June 2024 end, RPVPL has under-development capacity of 2.5 GW cell and 2.4 GW module located in Dholera, Gujarat. RPVPL envisages that majority output of the project would be used to meet captive requirements of Renew group entities.

Brief Financials (₹ crore)	March 31, 2024 (UA)
Total operating income	1,620
PBILDT	92
PAT	9
Overall gearing (times)	2.7
Interest coverage (times)	1.8

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 31, 2033	0.00	Withdrawn
Term Loan-Long Term	-	-	-	March 31, 2034	2546.00	CARE A-; Stable

Annexure-2: Rating history for 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 - LT-Term Loan	LT	-	-	-	1)CARE A-; Stable (08-Dec-23)	1)CARE A-; Stable (12-Sep-22)	-
2	Term Loan-Long Term	LT	2546.00	CARE A-; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

Contact us

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About us:

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