

SJVN Green Energy Limited

September 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,823.60	CARE AA; Stable	Reaffirmed
Short-term bank facilities	5.00	CARE A1+	Reaffirmed
Issuer rating	0.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings (CARE Ratings Limited) has reaffirmed ratings assigned to bank facilities and issuer rating of SJVN Green Energy Limited. Ratings derive strength from financial flexibility and operational expertise provided by its parent SJVN Limited (SJVN, rated CARE AA+; Stable/ CARE A1+). SJVN has a proven execution and managerial track of complex power projects (such as large hydro) in the past. SGEL has a strategic position within the group as a vehicle for growth in renewable energy sector, enabling SJVN to meet its long-term capacity target. Ratings favourably factor in operational renewable capacity of 0.39 GW and under construction/development portfolio of 6.6 GW, spread across eight states and contracted with 10 different counterparties, leading to asset and counterparty diversification. The existence of long-term power purchase agreements (PPAs) with beneficiaries provide revenue visibility.

However, rating strengths are constrained by project execution and funding risk considering significant under construction/development capacity of 6.6 GW, of which, 1.4 GW is expected to be commissioned in FY25. Ratings are sensitive to SGEL's leveraged financial risk profile due to high leverage in the projects and moderate projected debt service coverage indicators considering relatively modest competitively bid tariffs. Ratings are constrained by exposure to state distribution utilities, which have weak-to-moderate financial risk profile, exposing the company to counterparty credit risk. Ratings also take note of its small operational portfolio, exposure to technology and climate risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely commercialising sizeable under-construction capacity within envisaged cost and time.
- Higher-than-envisaged generation on a sustained basis and better-than-base case coverage and leverage metrics.

Negative factors

- Significantly deteriorating credit profile of the promoter or diluting support philosophy towards SGEL or reducing shareholding to below 51%.
- Delaying commercialization of projects under construction, leading to cost and time over run and higher-than-projected total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT).
- Lower-than-envisaged generation for operational portfolio or increasing borrowing cost significantly impacting coverage indicators.
- Deteriorating credit risk profile of off-takers, leading to stretch in receivables, adversely impacting the company's liquidity.
- Total fund-based debt exceeding ₹10,400 crore as on March 31, 2025.

Analytical approach: Consolidated. List of entities consolidated is presented in **Annexure-6**.

Factoring linkages due to strong operational and financial linkages with the parent entity, SJVN Limited

Outlook: Stable

The 'stable' outlook reflects SGEL's ability to sustain operational performance of its current operational portfolio, leading to steady gross cash accruals (GCA) while maintaining a reasonable average collection period. The stable outlook also reflects expectation of sizeable capacity to be commissioned in the near-to-medium term.

Detailed description of key rating drivers:

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

Key strengths

Strong business and financial linkages with parent

SGEL is a wholly owned subsidiary of SJVN, which is a 'Navratna' 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 June 30, 2024) and the Government of Himachal Pradesh (26.85% holding as on June 30, 2024). The company has operating hydro, solar and wind power capacity of 2,465.5 MW on a consolidated basis as on August 31, 2024, and is implementing hydroelectric and solar projects in Uttarakhand, Himachal Pradesh, Gujarat, Uttar Pradesh. 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 considering 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. SGEL is likely to have significant flexibility in mobilising and deploying fund for its projects. SJVN continues to extend its financial prowess to SGEL through timely deployment of equity and intercompany loans. CARE Ratings expects the support and linkages to continue going forward.

Diversified pool of assets

SGEL has a portfolio of 7.0 GW of renewable projects, of which, 0.4 GW are operational, and 6.6 GW are under construction/development as on June 30, 2024. Projects are spread across eight states with Maharashtra and Gujarat having majority capacity share. The capacity is contracted with 10 different off-takers with no off-taker having over ~25% share. Gujarat Urja Vikas Nigam Limited (GUVNL), Punjab discom and MSEDCL are key PPA counterparties comprising 75% of total capacity. Assets under SGEL have low revenue risk considering long-term PPA at tariff determined through competitive bidding.

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 (~29%) is to be 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 considering significant debt funded capex envisaged in the near term. Since SGEL's entire capacity addition is in renewable power generation, projects are expected to be funded in debt to equity of 80:20. CARE Ratings expects SGEL to remain leveraged in the near-to-medium term.

Exposure to state distribution utilities

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

Project execution and funding risk

SGEL has ~6.6 GW assets currently in pipeline, which are expected to be commissioned in the next four financial years. While large engineering, procurement and construction (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 over ₹25,000 crore capex in FY25 and FY26, of which, over ₹13,000 crore is expected to be incurred for renewable capacity addition entirely through SGEL. The board of directors has also approved divestment of stake in SGEL through QIP to fulfil equity requirement of under construction projects.

Part of equity funding of the group's under-construction projects is expected to be met by cash accruals from operational projects of SJVN, undrawn portion of loan availed through securitisation of receivables of Nathpa Jhakri and cash balances available with the group. SJVN also obtained board approval on August 13, 2024, for securitisation of receivables and divestment of stake in SGEL. Timely completion of proposed securitisation and divestment of stake shall remain a key monitorable.

Risk due to interest rate fluctuation, foreign currency exchange, climate, and technology

SGEL is exposed to interest rate fluctuations as bank facilities availed are floating rate loans and have periodic interest rates resets. The company is also exposed to foreign currency exchange risk and refinancing risk on ECBs. As tariffs are one part in nature, the group may book lesser revenues for non-generation of power due to variation in weather conditions and/or equipment quality. This would affect its cash flows and debt servicing ability.

Liquidity: Strong

SGEL's liquidity is marked cash and cash equivalent of ₹1,594 crore as on March 31, 2024. SGEL's liquidity is expected to be further supported by the parent SJVN through equity infusion to fund its equity requirement for under-construction projects.

Environment, social, and governance (ESG) risks:

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

Applicable criteria

[Definition of Default](#)

[Issuer Rating](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

Incorporated on March 30, 2022, as a wholly owned subsidiary of SJVN, SGEL is set up for a purpose to be the renewable arm for SJVN. Currently, the company has 390 MW operational solar assets including 90 MW floating solar power project commissioned in Q2FY25. The company is expected to undertake all under-implementation renewable projects from SJVN and will take up fresh bid for renewable projects for the group. SGEL has ~6.6 GW under-construction/development projects.

SGEL will operate in verticals of power generation from renewable sources such as solar parks, wind and hybrid projects, battery energy storage system, biomass, small hydro, and green hydrogen-based business ventures.

Brief Financials (₹ crore) – Consolidated*	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	12.53	52.46
PBILDT	10.71	35.89
PAT	-10.56	2.13
Overall gearing (times)	1.27	0.99
Interest coverage (times)	1.33	1.13

A: Audited; Note: these are latest available financial results *Financials reclassified 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: 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-External Commercial Borrowings	-	-	-	August 2028	1600.00	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 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	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA; Stable	-	1)CARE AA; Stable (14-Feb-24) 2)CARE AA; Stable (23-Aug-23)	-	-
2	Fund-based - LT-External Commercial Borrowings	LT	1,600.00	CARE AA; Stable	-	1)CARE AA; Stable (14-Feb-24)	-	-
3	Fund-based - ST-Bank Overdraft	ST	5.00	CARE A1+	-	1)CARE A1+ (14-Feb-24)	-	-
4	Non-fund-based - LT-Bank Guarantee	LT	223.60	CARE AA; Stable	-	1)CARE AA; Stable (14-Feb-24)	-	-

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of 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 lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	SGEL Assam Renewable Energy Limited	Proportionate	Subsidiary

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.

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About us:

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