Renew Wind Energy (TN2) Private Limited

December 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	696.46 (Reduced from 731.91)	CARE AA-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating reaffirmation on bank facilities of ReNew Wind Energy (TN2) Private Limited (RWETN) – which is operating a 50-megawatt (MW) (AC) solar power plant in Pavagada, Karnataka, and a 100-MW (AC) solar power plant in Mahbubnagar, Telangana, factors in long track record of ~7 years, and satisfactory operational performance as reflected by plant load factors (PLF) of 24.1% in FY24 against 23.4% in FY23 and timely collections. The PLF in H1FY25 was lower on a y-o-y basis and stood at ~22% against ~24% for H1 FY24, which is attributed to extended monsoons. Going forward, in the long run, CARE Ratings Limited (CARE Ratings) expects generation to remain in line with the historical trend.

The rating continues to factor in presence of long-term (25 years) power purchase agreements (PPAs) at ₹4.80 per kilowatt hour (kWh) for the 50-MW plant and ₹4.66 per kWh for the 100-MW plant with a strong counterparty, NTPC Limited (NTPC; rated 'CARE AAA; Stable/A1+'), which provides revenue visibility. A strong counterparty like NTPC ensures collections remain timely with dues being cleared within 15-30 days from the date of invoice since commissioning the project and is expected to remain timely going forward. Going forward, CARE Ratings expects the project's coverage indicators to remain healthy, as reflected by the cumulative debt service coverage ratio (DSCR) being upwards of 1.25x for term debt tenor. CARE Ratings also considers presence of a debt service reserve account (DSRA) equivalent to one-quarter of debt servicing. The rating is further supported by the presence of a strong promoter in the ReNew group, which has a long track record in the renewable energy sector.

However, the rating is constrained considering leveraged capital structure, as reflected by a total debt to earnings before interest, taxes, depreciation, and amortisation (TD/EBITDA) of 5.9x as on FY24-end. Going forward, per CARE Ratings' base case, the capital structure will continue to remain leveraged with TD/EBITDA multiple remaining range bound between 5.5-6.0x in the next few years. The project's cash flows are exposed to adverse movement in interest rates, which is floating for project debt and subject to periodic reset. However, CARE Ratings notes that the rate of interest for portion of debt with NIIFL Infrastructure Finance Limited (NIIF IFL) is fixed for five years (till October 2027) and would be subject to reset after every subsequent five years, mitigating interest rate risk to some extent. CARE Ratings also factors in exposure of project cash flows to the adverse variations in weather conditions, given the single-part tariff of the project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Generation remaining above P90 levels on a sustained basis, resulting in an improvement in the liquidity profile.
- Faster-than-expected reduction in the leverage level.

Negative factors

- Significant underperformance in generation or sustained elongation in receivables, adversely impacting liquidity profile.
- Increase in debt level or interest rates, adversely impacting coverage metrics, as reflected by a reduction in the cumulative DSCR to less than 1.15x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook on the 'CARE AA-' rating of RWETN reflects CARE Ratings' opinion that the company will benefit from its long-term PPA with NTPC. Expectation of satisfactory generation and collection performance supports the outlook.

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

Detailed description of key rating drivers

Key strengths

Operational track record of seven years with satisfactory generation performance
The 150-MW AC grid-connected solar photovoltaic (PV) technology constructed by RWETN, at Pavagada and Mahbubnagar in Karnataka, was fully commissioned in November 2017 and December 2017, respectively. There is a long track record of ~7 years, where operational performance has remained satisfactory, as reflected by the PLF of 24.1% in FY24 against 23.4% in FY23, remaining in-line with P-90 estimates with timely collections. However, PLF in H1FY25 was lower at ~22% due to extended monsoons, CARE Ratings Limited (CARE Ratings) expects generation to remain in line with the P-90 levels, going forward.

Long-term revenue visibility considering presence of PPAs for entire capacity with a strong counterparty
RWETN entered long-term PPAs with NTPC for 25 years at fixed tariffs of ₹4.80 per kWh for its 50-MW plant in Pavagada and at ₹4.66 per kWh for its 100-MW plant in Mahbubnagar, which provides long-term revenue visibility. Presence of a strong counterparty like NTPC is expected to yield in timely realisations of payments under PPAs. On average, collection days remained below 30 days, resulting in less amount of funds being blocked, as debtors for the company, and therefore, ensuring satisfactory liquidity. Payment security mechanism in PPA/PSA arrangements is relatively superior to the state policy PPAs because of the letter of credit mechanism and benefits available to NTPC under the Tri-partite agreement (TPA) with the Government of India (GoI), the Reserve Bank of India (RBI), and the state government. Landed tariff to the ultimate counterparty (discom) is competitive, given that NTPC is bundling the power from this project with cheaper thermal power.

Comfortable debt coverage indicators; with presence of one quarter DSRA
The project's coverage indicators are expected to be satisfactory, as reflected by average DSCR being upwards of 1.25x. The company is maintaining a one-quarter DSRA, which supports the company's liquidity profile.

Operating track record of the ReNew group in the solar segment
RWETN is a SPV of Renew Private Limited (RPL; rated 'CARE A+; Stable/CARE A1+'), which is one of the largest companies involved in renewable energy development in India. 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 renewable asset base of 16.3 GW (as on November 30, 2024), including projects under development and in the pipeline. The group has an operational capacity of ~10.4 GW (as on November 30, 2024), which represents ~1% of total electricity demand in India. The portfolio is well-diversified, spread across multiple geographies, and contracted to multiple counterparties.

Key weaknesses

Leveraged capital structure
The company's capital structure is leveraged, considering debt-funded capex incurred for setting up the project, resulting in a TD/EBITDA of 5.9x as on FY24-end. Going forward, per CARE Ratings' base case, the capital structure will continue to remain leveraged with the TD/EBITDA multiple remaining range bound between 5.5-6.0x in the next few years. However, CARE Ratings expects project's coverage to remain healthy with cumulative DSCR being above 1.25x for the term debt tenure.

Vulnerability of cash flows to variations in weather conditions and variation in interest rates
Project cash flows are exposed to adverse variations in weather conditions given the project's single part tariff. As tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to variations in weather conditions and/or equipment quality. This will affect its cash flows and debt servicing ability.

The project's cash flows are exposed to adverse movement in interest rates, which is floating for project debt and subject to periodic reset. However, CARE Ratings notes that the rate of interest for the portion of debt with NIIF IFL is fixed for five years (till October 2027) and would be subject to reset after every subsequent five years, mitigating interest rate risk to some extent.

Liquidity: Adequate
The company's liquidity is adequate, as reflected by cash and bank balance of ~₹24.6 crore as on October 31, 2024. The company is maintaining DSRA covering one quarter of debt service obligations in the form of bank guarantee. Per CARE Ratings' base case scenario, the adjusted gross cash accruals (GCA) for FY25 and FY26 are expected to be at ₹48 crore and ₹54 crore, respectively, against annual repayments of ₹36-38 crore.

Applicable criteria

[Policy on Default Recognition](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Infrastructure Sector Ratings](#)
[Solar Power Projects](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

Incorporated in August 2013, RWETN is a special purpose vehicle (SPV) promoted by RPL. RWETN is operating two solar projects under the SPV, the 50-MW solar power project at Pavagada, Karnataka and the 100-MW solar power project at Mahbubnagar district in Telangana. Projects were commissioned in November 2017 and December 2017, respectively. The entire 150 MW capacity is tied up with NTPC through a long-term (25 years) PPA at fixed tariffs.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	141.50	143.50
PBILDT	118.70	122.10
PAT	45.20	19.00
Overall gearing (times)	2.54	2.28
Interest coverage (times)	1.37	1.84

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		-	-	31-08-2027	696.46	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	Non-fund-based - LT-Forward contract/derivative limit	LT	-	-	-	-	1)Withdrawn (09-Dec-22) 2)CARE AA-; Stable (05-Apr-22)	-
2	Fund-based - LT-Term Loan	LT	696.46	CARE AA-; Stable	-	1)CARE AA-; Stable (21-Dec-23)	1)CARE AA-; Stable (09-Dec-22)	-

LT: Long 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-Term Loan	Simple

Annexure-5: Lender details

To view 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:
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.

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