

Sun Renewables RT Private Limited

January 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	18.35	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has applied a combined approach for rating bank facilities of Fogo Energy Ventures Private Limited (FEVPL), 4PEL Distributed Solar Power Private Limited (FDSPL), 4PEL Saur Vidyut Private Limited (FSVPL), Capsol Sunray Private Limited (CSPL), Sun Renewables RT Private Limited (SRRPL), FPEL Trinity Energy Private Limited (FTEPL), FP Sun Solar Private Limited (FSSPL) and 4PEL Reliable Power Services Private Limited (FRPSPL) considering presence of an inter-company agreement (ICA) between these companies to form a Restricted Group (RG). Per the ICA, the companies have undertaken to service shortfall in debt obligations in other entities through surplus funds available within the pool. This agreement is irrevocable, valid till the final settlement date of the pool's outstanding debt, is characterised by the presence of a well-defined T minus structured payment mechanism (SPM) and cross default between entities of the RG.

The rating reaffirmation for bank facilities of the combined entity, factors in revenue visibility due to presence of long-term power purchase agreements (PPAs), majority of which are with reputed corporates and government institutions. CARE Ratings notes that the operating capacity within the RG has been reduced to 73.23MWp from 80.8MWp considering unacquired leased assets of 6.8MWp capacity under FDSPL and sale of 0.77MWp capacity under SRRPL. The rating is supported by counterparty and geographic diversification available for the pool, as the capacity is spread across multiple sites. Operating performance is satisfactory, as reflected by generation in line with the designed estimates and collection cycle being lean with pool reporting average receivable days of ~60 as on FY24 end. The pool is also maintaining two quarter DSRA, which will help meet cash-flow mismatches.

Going forward, per CARE Ratings' base case scenario, debt protection metrics are expected to be comfortable as reflected by average debt service coverage ratio (DSCR) being 1.22x. The rating further derives strength from strong parentage as these entities are part of The Fourth Partner Group, which is among the leading renewable energy developers in the Commercial & Industrial (C&I) renewable energy segment.

However, the rating is constrained considering leveraged capital structure as reflected by high total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) of 6.5x as on FY24 end. Going forward, per CARE Ratings' base case capital structure will continue to remain leveraged with TD/EBITDA remaining range bound between 5.5-6.0x in the next three years. Given the leveraged capital structure, single part nature of the fixed tariff in the PPA and floating interest rates, its profitability remains exposed to increase in interest rates. However, CARE Ratings draws comfort from interest rate being fixed for five years up to July 2028 and would be reset every five years thereafter. CARE Ratings also factors in exposure of project cash flows to adverse variations in weather conditions given the single part tariff for the project

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Actual generation levels in line with the P90 generation estimate and collection cycle remaining below 90 days on a sustained basis resulting in improvement in coverage indicators and liquidity.
- Faster-than-expected deleveraging of assets.

Negative factors

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

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

- Non-adherence to power purchase agreement (PPA) terms by off-takers, including timely receipt of payments and honouring of tariff for full PPA tenor.

Analytical approach: Combined

CARE Ratings has applied a combined approach for rating bank facilities of FEVPL, FDSPL, FSVPL, CSPL, SRRPL, FTEPL, FSSPL and FRPSPL considering presence of an ICA between these companies to form an RG. Per the ICA, the companies have undertaken to service shortfall in debt obligations in other entities through surplus funds available within the pool. This agreement is irrevocable, valid till final settlement date of the pool's outstanding debt, is characterised by the presence of a well-defined T minus SPM and cross default between entities of the RG.

Outlook: Stable

The stable outlook on the CARE A- ratings of the portfolio reflects CARE Ratings' opinion that the portfolio would benefit from its long term PPA. the expectation of satisfactory generation and collection performance supports the outlook.

Detailed description of key rating drivers:

Key strengths

Presence of an inter-company agreement for pooling of surplus cash flows

FEVPL, CSPL, FDSPL, FSVPL, FTEPL, FSSPL, SRRPL and FRPSPL have entered an ICA to form an RG, where the companies have undertaken to service shortfall in debt obligation in other entities. The ICA defines shortfall as, (i) Shortfall in debt servicing obligations of the relevant project SPV, and (ii) Shortfall in DSRA. This agreement is irrevocable, valid till the final settlement date of the pool's outstanding debt, is characterised by the presence of a well-defined T minus SPM and cross default between entities of the RG.

Diversified asset pool in terms of geography and off-takers and long term revenue visibility

Total capacity of projects under the RG is 73.2MWp reduced from 80.8MWp. Under FDSPL, total capacity stood at 10.60 MWp, of which, 6.80 MWp comprised leased assets from 4PEL that were intended for acquisition. However, the acquisition did not materialise in the year. Since the asset did not flow into the structure, debt against it, contingent on such acquisition, was also not drawn. Therefore, this capacity, which was initially planned to be included in the co-obligor structure once its cash flows were integrated into the entity, has been excluded, and no debt has been drawn. Within the structure, in H1FY25, Sun Renewables RT Private Limited sold partial capacity 0.77 MWp of the total 5.2MWp to its off-taker.

The total capacity of 73.2MWp is spread across Uttar Pradesh, Karnataka, Gujarat, Rajasthan and other states, hence, the company benefits considering geographical diversification.

Overall capacity is contracted to diversified off-taker profile as they have a mix of renowned C&I customers (TCS (13 MW), United Breweries (9 MW), Toyota Kirloskar Motors (9 MW), JK Tyres (8 MW), among others, which constitute 91% of the portfolio and the remaining 9% PPAs are with government and educational institutions (Indian Railways, MIT group of Institutions, and All India Institute of Speech and Hearing, among others). Weighted average tariff of the operating portfolio is ₹4-5 per unit, which remains competitive given higher tariffs, applicable for C&I customers. CARE Ratings also notes that the pool has 1.04 MWp capacity in Karnataka, which is exempt from paying open access charges for 10 years from commissioning till FY28. Post FY28, this capacity is susceptible to PPA extension risk and is also likely to witness reduction in applicable tariff from the prevailing tariff of ₹5.61 per unit.

Operational track record of 4.8 years and a satisfactory operational profile

Assets were commissioned in a phased manner with some assets achieving COD in the last couple of years. Operating track record of operational assets under the RG pool ranges from ~29 months to 80 months as assets were commissioned in a phased manner. On a weighted average basis, operating track record of the portfolio is ~4.8 years.

The company doesn't have plans to add more capacity to the existing portfolio.

Generation performance on an overall basis was in designed estimates in FY24 marked by actual capacity utilisation factor (CUF) of 15.8%. Going forward, CARE Ratings expects generation from underlying assets to remain broadly in line with past trends. Collection cycle of the portfolio is lean with the pool reporting average receivable days of ~59 as on FY24 end.

Comfortable debt coverage metrics; presence of two quarters DSRA

The portfolio's debt coverage metrics are expected to remain comfortable as reflected by average DSCR of 1.22x for the portfolio. SPVs are maintaining DSRA of two quarter in the form of FD. Presence of DSRA provides comfort from a credit perspective.

Strong parentage and operating track record of Fourth Partner group in renewable energy segment

The Fourth Partner group is a leading renewable energy (RE) solutions provider across South and Southeast Asia and is backed by the RISE Fund (TPG) and Norwegian Sovereign Fund (Norfund). In H1-FY25, a consortium of investors comprising DEG,

International Finance Corporation (IFC), and Asian Development Bank (ADB) invested in FPEPL. Consequently, 30% of the group is held by Norfund, 24% by IFC, 20% by ADB, 10% by DEG, 8% by TPG, and the remaining by promoters. The group has a total operational capacity of 1.06 GW as of June 2024 end, which is expected to be 1.7 GW by FY25 end. By the end of FY26, the group intends to achieve a total asset portfolio of 2.5 GW. The Fourth Partner group demonstrated strong support philosophy for this project as exhibited by the presence of unconditional and irrevocable corporate guarantee (CG), which is valid for the entire amount and tenor of the rated debt.

Key weaknesses

Leveraged capital structure and exposure to interest rate risks

The portfolio's capital structure is leveraged, which is customary to the RE sector as reflected by Debt/EBITDA of 6.5x 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 three years. Given the leveraged capital structure, single-part nature of the fixed tariff in the PPA and floating interest rates, the pool's profitability remains exposed to increase in the interest rates. However, CARE Ratings draws comfort from interest rate being fixed for five years up to July 2028 and would be reset every five years thereafter.

Vulnerability of cash flows to variation in weather conditions

As tariffs are one part in nature, companies may book lesser revenues in the event of non-generation of power due to variation in weather conditions. This would affect the group's cash flows and debt servicing ability.

Liquidity: Adequate

The combined pool had a free cash and bank balance of ₹33.5 crore as on March 31, 2024, while the lien marked cash and bank balance stood at ₹27.5 crore (inclusive of the DSRA balance). As on November 2024 balances amounting to ₹17.95 crore were held as DSRA balance, while total cash and bank balance stood at ₹28.80 crore.

Going forward, gross cash accruals (GCA) for FY25 and FY26 is expected to be ₹17.5 and ₹14.5 crore against annual repayments of ~₹11-12 crore annually.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

[Solar Power Projects](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

SRRPL is an SPV of Fourth Partner Group. SRRPL is currently operating 4.4 MW rooftop assets. The entity is supplying energy to multiple consumers at a weighted average tariff of ₹4-5/unit. Assets achieved commissioning in a phased manner from October 2017 to October 2020.

Brief Financials (₹ crore) – Standalone	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	3.10	3.20
PBILDT	2.50	2.24

PAT	-0.44	-2.12
Overall gearing (times)	-14.51	-5.83
Interest coverage (times)	1.06	1.05

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

Brief Financials (₹ crore) – Combined	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	45.6	47.1
PBILDT	33.7	32.4
PAT	-5.7	0.1
Overall gearing (times)	1.1	1.7
Interest coverage (times)	1.1	1.4

A: Audited; 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		-	-	31-03-2038	18.35	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	18.35	CARE A- ; Stable	-	1)CARE A- ; Stable (16-Nov-23)	-	-

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 detailsTo 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.

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About us:

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