Beempow Energy Private Limited

January 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	1,126.93 (Reduced from 1,265.00)	CARE A- (RWD)	Continues to be on Rating Watch with Developing Implications
Long Term / Short Term Bank Facilities	28.00	CARE A- / CARE A2 (RWD)	Continues to be on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Beempow Energy Private Limited (BEPL) continue to be on rating watch with developing implications, on account of the impending transfer of asset to Epic Green Urja Private Limited (EGUPL), through various schemes of Infrastructure Yield Trust (IYT) - part of EAAA India Alternatives Limited (EAAA) (Previously Edelweiss Alternative Asset Advisors Limited). Part of the transaction has been completed with transfer of 49% of equity stake to EGUPL in September 2024. As per PPA, 51% stake has to be held till 1 year from COD. The credit profile of the incoming investor and the strategic importance of BEPL for the new investor remains a key monitorable. CARE Ratings Limited (CARE Ratings) shall resolve the watch, once the transaction is completed and/or more clarity is available with respect to the same.

Furthermore, the ratings continue to derive strength from the low sales risk and revenue diversification emanating from the long term power purchase agreements of 25 years from COD at a tariff of Rs. 2.444 per unit for the entire capacity with M.P. Power Management Company Limited (MPPMCL) and Western Railways with minimum energy to be sold in the ratio of 79:21 as per PPA. The project has a multi-layered payment security mechanism which mitigates the counterparty risk to some extent. The ratings continue to draw comfort from the strong parentage and experienced management team under O2 Power SG Pte Limited (OPSPL) (O2 Power group's holding company, domiciled in Singapore), which is backed by reputed private equity (PE) investors, viz., Temasek Holdings Limited and EQT Partners through MacRitchie Investments Pte Ltd and EQT Infrastructure IV SG Pte Ltd. Furthermore, CARE Ratings takes note of the comfortable coverage metrics as reflected by a debt service coverage ratio (DSCR) above 1.2x for the loan tenor and the presence of a one quarter debt service reserve account (DSRA) for the term loan.

The ratings are, however, constrained due to stabilisation risk since the project has limited operational track record of less than one year with generation being lower than P90 PLF estimates. The credit profile is also constrained by counterparty risk through the exposure of 79% of the contracted capacity to MPPMCL along with interest rate fluctuation risk given the leveraged capital structure as reflected by expected Total Debt/EBITDA of 6.26 times as on FY26 end as per CARE Ratings' base case. The project cash flows remain exposed 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 being in line with designed energy estimates along with receivable cycle remaining below 60 days on a sustained basis resulting in strong liquidity position.
- Faster than expected deleveraging of the project.
- Transfer of entire shareholding to EGUPL, post assessing the extent of linkages between BEPL and EGUPL.

Negative factors

- Any significant underperformance in generation and/or any increase in the debt levels weakening the cumulative DSCR on project debt to less than 1.15x, on a sustained basis.
- Material delay in receipt of payments from offtakers leading to debtor cycle of more than 90 days.

Analytical approach: Standalone, while factoring in linkages with the parent entity, i.e., OPSPL.

Outlook: Not applicable

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

Detailed description of the key rating drivers
Key strengths

Commissioning of project
The project achieved COD on April 15, 2024 thereby mitigating execution risk typically associated with under construction projects. The project has limited track record of operation as on date with generation below P90 PLF estimates, however, as the project achieves stabilization the generation is expected to reach the estimated levels.

Low sales risk and moderate revenue diversification due to long-term PPAs
BEPL entered into long-term PPAs for a period of 25 years from COD with MPPMCL and the Western Railways for the entire capacity of 350 MW_{AC}, at a fixed tariff of ₹2.444 per unit. The capacity is tied up with MPPMCL and Western Railways with minimum energy to be sold in the ratio of 79:21 as per PPA. The PPA provides compensation to BEPL in case of the unavailability of transmission infrastructure, a shortfall in the guaranteed energy off-take, and grid unavailability or backdown.

The PPA has three-tier payment security mechanism – an unconditional and irrevocable revolving letter of credit (LC) equivalent to one month of equivalent billing to MPPMCL, a RUMSL-operated payment security fund (PSF) equivalent to minimum supply obligation of another three months, and a guarantee by the Government of Madhya Pradesh (GoMP). If BEPL is unable to recover such amounts from the LC and the payment security fund, then the GoMP will pay such an amount upon receipt of the notice from BEPL, in accordance with the guaranteed agreement.

With respect to the PPA with Western Railways, a letter of mandate is available to BEPL equivalent to four months of the billing based on the guaranteed energy off-take. The presence of such a payment security mechanism provides some comfort on the timely receipt of payments from MPPMCL.

Project part of the Rewa Solar Park with the
The entire capacity of BEPL is located in the Agar Solar Park, which is operated by RUMSL (a 50:50 joint venture [JV] company of Madhya Pradesh Urja Vikas Nigam Limited [MPUVNL] and Solar Energy Corporation of India [SECI]). Execution risk associated with projects located in solar park are lower as the land, common infrastructure and evacuation are responsibility of solar park developer i.e. RUMSL.

Moderately comfortable debt coverage indicators with stipulation of a DSRA
The door-to-door tenor of the term loan is elongated and the debt coverage indicators are projected to be moderately comfortable. Moreover, there will a tail period of 5.5 years between loan maturity in September 2043 and PPA expiry in April 2049. The stipulation of a minimum average DSCR, a cash sweep mechanism, and a restricted payment condition are other key terms of sanction. As per the terms, BEPL is required to maintain a DSRA equivalent to one quarter interest (one month to be created upfront at the commercial operations date [COD] and the balance two months to be created out of the project cash flows within six months) as well as one quarter principal (maximum by 18 months from the COD out of the project cash flows).

Strong parentage in the form of two financial investors and experienced management team, firm commitment of US$ 500 million to be invested in renewable energy projects in India
O2PSPL, a renewable energy platform, is backed by two reputed global investors, EQT (51%) and Temasek (49%). Headquartered in Sweden, EQT is a differentiated global investment Fee Generating Fund with assets under management (AUM) of around €113 billion. EQT funds have portfolio companies in Europe, Asia and the US across ~500 investments. Temasek is a global investment company headquartered in Singapore, with exposures in Asia (63%), the US (21%), and rest of the world (16%).

Total aggregate capital committed in O2PSPL by both the investors is US$ 500 million, which will be invested in RE projects in India. O2PSPL's current portfolio of 4.11 gigawatt (GWAC) includes 1.36 GWAC of operational capacity as on August 31, 2024. O2PSPL's management is experienced, having an established track record in the renewable sector in India. Given O2PSPL's aggressive growth plans in India and promoter's past track record of financially supporting other projects, ESSPPL is expected to benefit from operational and financial linkages with its parent. The ratings are placed on watch with positive implications as O2 Power has entered into share purchase agreement for sale of its stake in BEPL to EGUPL. As on date, the shareholders of BEPL are O2 group (51%) and EGUPL (49%) with remaining 51% to be transferred to EGUPL after April 2025.

Key weaknesses
Project stabilization risk

Although the project has been commissioned timely with all the necessary approvals in place, sustained generation levels at par with base case assumptions are yet to be seen. PLF for H1 FY25 stood at 20.94% against P-90 PLF of 25.89%. Ability of the project to demonstrate generation in line with P90 PLF estimates remain critical as revenue is linked to generation and any decline in generation can impact the cash flows of the company.

Relatively weak credit profile of one of the off-takers
MPPMCL (rated 'CARE BBB-; Stable/CARE A3'), one of the off-takers for BEPL, has a relatively weak credit profile. However, the LC, the presence of a payment security fund, and the state guarantee from GoMP mitigate the risk to some extent. Moreover, the satisfactory payment track record of MPPMCL to other developers operating in RUMSL solar parks provides some comfort. Also, both MPPMCL and Western Railways have cleared bills promptly during H1 FY25.

Exposure to technology and climatic risks, usage of new bi-facial technology envisaged for entire capacity
The company is planning to use a bi-facial mono (PERC) technology for the solar modules. Bi-facial technology is comparatively an advanced technology as compared to poly-crystalline technology and the expected capacity utilisation factors (CUFs) are envisaged to be higher. However, this technology is comparatively new and is being tested in Indian markets. The achievement of the desired CUF, going forward, will be subject to changes in climatic conditions, the amount of degradation of modules, as well as other technological risks.

Interest rate fluctuation risk
The term loan availed for the project has a floating interest rate (with annual reset), thereby exposing BEPL to the risk of any change in cost factors. The interest cost, being the primary cost component on a cash-basis, any adverse movements in interest rates will impact the overall debt-servicing ability of the special purpose vehicle (SPV).

Liquidity: Adequate
Repayment for term loan starts from June 2025, providing sufficient time for project to stabilise and building up of liquidity buffer. BEPL's gross cash accrual (GCA) in FY26 is expected to sufficiently cover its debt repayment obligations. Company is maintaining 1 quarter DSRA. Cash and cash equivalents as on November 23, 2024 stood at ~Rs. 81 crore.

Applicable criteria

Policy on Default Recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Infrastructure Sector Ratings
Solar Power Projects

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

BEPL is a SPV incorporated on July 29, 2020. BEPL is a 100% subsidiary of OPSPL and has set up a 350 MW AC/472.5 MW DC ground mounted solar power project in Agar solar park, Agar district, Madhya Pradesh. The said project is a part of the 550-MW solar project being set up in the Agar solar park.

Brief financials: Not applicable, since the project is recently commissioned.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	September 30, 2043	1092.93*	CARE A- (RWD)
Fund-based - LT-Working Capital Limits		-	-	-	34.00	CARE A- (RWD)
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	28.00	CARE A- / CARE A2 (RWD)

*Amount outstanding as on date

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	1092.93	CARE A- (RWD)	1)CARE A- (RWD) (06-May-24)	1)CARE A-; Stable (08-Sep-23)	1)CARE A-; Stable (09-Jun-22)	-
2	Fund-based - LT-Working Capital Limits	LT	34.00	CARE A- (RWD)	1)CARE A- (RWD) (06-May-24)	1)CARE A-; Stable (08-Sep-23)	1)CARE A-; Stable (09-Jun-22)	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	28.00	CARE A- / CARE A2 (RWD)	1)CARE A- / CARE A2 (RWD) (06-May-24)	1)CARE A-; Stable / CARE A2 (08-Sep-23)	1)CARE A-; Stable / CARE A2 (09-Jun-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short 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	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Jatin Arya Director **CARE Ratings Limited** Phone: 91-120-4452021 E-mail: Jatin.Arya@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Shailendra Singh Baghel Associate Director **CARE Ratings Limited** Phone: 022-6837-4340 E-mail: Shailendra.baghel@careedge.in Prajjawal Tyagi Analyst **CARE Ratings Limited** E-mail: Prajjawal.Tyagi@careedge.in

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.

For detailed Rationale Report and subscription information, please visit www.careedge.in