SEPL Energy Private Limited

February 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating	0.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

The objective of the rating is to meet the qualification norm for investments made by a recognised pension fund, per Rule 67 – Investment of Fund Moneys – Income Tax Rules, 1962. The issuer rating has not been assigned to specific debt instrument.

Sekura Energy Private Limited does not envisage to raise external debt in the medium term. In case term debt is raised, the existing loans from the immediate holding company will be junior and payments will be subservient to the external debt. The rating is subject to external total debt (on a consolidated basis)/ earnings before interest, tax, depreciation and amortisation (EBITDA) not exceeding 6x as on March 31, 2025.

Rationale and key rating drivers

Reaffirmation in the issuer rating of SEPL Energy Private Limited (SEPL) [previously known as Sekura Energy Private Limited] factors in the strong parentage by virtue of it being a wholly owned subsidiary of Edelweiss Infrastructure Yield Plus (EIYP), which has strong capital commitments and extensive experience in the infrastructure sector.

The rating factors in SEPL's stable revenue profile considering dividend income earned from Anzen India Energy Yield Trust (AIEYT or InvIT), wherein it holds 15% stake as on December 31, 2024. The InvIT currently has two transmission assets and has plans of acquiring one solar asset in the near term and the right of first offer (ROFO) for 12 solar assets (including Solaire Surya Urja Private Limited [SSUPL]) and one transmission asset. The rating also derives comfort from the steady project management fee of SEPL from the operational special purpose vehicles (SPVs) in the group along with nil external debt at the standalone level. As articulated by the management, there are no plans of availing external debt in this company. The rating favourably factors in the strong operational and financial performance of its subsidiary, SSUPL.

However, the aforementioned rating strengths are tempered by the dependence on the distribution income from the InvIT and SSUPL and the exposure to market risk. The rating is also constrained by limited track record of dividend distribution by the InvIT (9 distribution till December 31, 2024) and asset concentration risk considering two assets as on date. However, the risk is mitigated by regular quarterly instalments made by the InvIT since its inception in November 2022. Asset concentration is mitigated by stable asset profile of the ISTS transmission assets.

Rating sensitivities: Factors likely to lead to rating actions

Positive factor

- Significant increase in cash flows along with sustenance of no debt at the sponsor level.

Negative factors

- Deterioration in the credit profile of SSUPL or the InvIT and its underlying assets, leading to significantly lower cash accrual for SEPL.
- Total external debt/ earnings before interest, tax, depreciation and amortisation (EBITDA) not exceeding 6x or aggressive external debt-funded acquisition by SEPL.
- Any external debt on a standalone basis adversely impacting the debt coverage indicators.

Analytical approach: Consolidated.

CARE Ratings has considered consolidated approach basis the investment under the SPV undertaking solar power generation and the role of sponsor under the InvIT. The list of entities consolidated at SEPL are provided in Annexure-6.

Outlook: Stable

The 'Stable' outlook reflects the company's ability to generate steady revenue through its subsidiary, SSUPL, and consistent cash flows from InvIT and the strong support of the promoter group.

[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

Promoter group having extensive experience in the infrastructure sector

EIYP holds the entire stake in SEPL. EIYP is a Securities and Exchange Board of India (SEBI)-registered Category-I alternative investment fund (AIF) and invests in sectors such as power transmission, renewables, roads and highways, and other infrastructure assets. EIYP has a committed fund of 3,280 crore which is completely deployed. The fund is positioned to acquire and manage operational assets in the infrastructure space in India with low counterparty risk, operations, and maintenance (O&M) costs, and high operating margins with long residual life, resulting in stable cash flows. The fund has a strong capital commitment from a group of domestic and global investors. The investment team has professionals with expertise across the infrastructure sector, finance domain, risk appraisal, and management.

Steady income generation with no external debt at the standalone level

SEPL earns project management fees at the pre-defined rate from the two transmission assets and the 12 renewable assets of the group. As on March 31, 2024, on a standalone basis, SEPL had nil external debt and is expected to continue in the medium term. SEPL's internal borrowings from the holding entity are mainly in the form of non-convertible debentures (NCDs) and the interest payable on such NCDs is non-cumulative in nature, which is subject to the maximum operating cash flow surplus of the company. Per management articulation, there are no plans of availing external debt in the medium term. Any change in the leverage stance impacting the credit profile of the entity would remain a key rating sensitivity.

Strong operational and financial performance of the subsidiary

SEPL's only subsidiary, SSUPL, has strong revenue and cash flow visibility due to its long-term power purchase agreement (PPA) at a fixed and reasonable tariff with NTPC Limited, which is a strong counterparty, and the presence of a long-term O&M contract at predefined rates and fixed interest rate for a relatively long term. The project is located at a solar park and has been clocking a generation above the P-90 level since its commissioning in September 2017. The liquidity is healthy considering the timely payment from the off-taker and the maintenance of a debt service reserve account (DSRA). Hence, the coverage metrics of SSUPL remain healthy, despite its leveraged capital structure.

Role as a sponsor of InvIT offers steady income

SEPL currently holds 15% share in AIEYPT. The InvIT's portfolio comprises two transmission assets, Darbhanga Motihari Transmission Company Limited and NRSS XXXI (B) Transmission Limited. The net distributable cash flow (NCDF) of the InvIT remains healthy owing to the long-term transmission service agreement with transmission charges linked to line availability, strong operational performance as evident from line availability higher-then-normative parameters, and healthy collection efficiency.

The InvIT is in the process of acquiring ReNew Sun Waves Private Limited (RSWPL) from ReNew group, which has a 300-MW solar power project in Jaisalmer, Rajasthan. RSWPL has signed a 25-year PPA with Solar Energy Corporation of India Ltd (SECI) at a tariff of ₹2.55/unit. The asset has an operational track record of ~3 years. The enterprise value determined under the agreement is ₹1,496 crore subject to net current assets and other such adjustments as provided in the definitive documents. Around ₹143 crore is expected to be paid as an earn-out considering change in law proceeds pertaining to increase in basic customs duty (BCD), safeguard duty (SGD), and goods and service tax (GST), after the first payment is realised by RSWPL. The InvIT continues to hold ROFO for 12 solar assets and entered a ROFO for one transmission asset.

Key weaknesses

Moderate revenue diversification

SEPL's revenue is from three sources – project management fees from the transmission and solar assets of the group, stable cash flows from SSUPL, and the InvIT. Given the strong underlying asset under the InvIT, cash flows should remain steady while its consistency remains to be seen. Moreover, the InvIT has limited track record of dividend distribution as on date. However, the risk is mitigated by structured quarterly instalments made by the InvIT since its inception in November 2022.

Exposure to the inherent market risk

The market value of SEPL's investment is exposed to the volatility associated with economic activity. Hence, the Investment value can fluctuate in case of an economic downturn, especially any adverse impact on the power sector.

Liquidity: Adequate

On a standalone basis, SEPL has projected a stable revenue profile against nil committed external debt obligations. As on December 31, 2024, SEPL had cash and liquid investments worth ₹29.99 crore.

Applicable criteria

Policy on Default Recognition
Consolidation
Investment Holding Companies
Financial Ratios – Non financial Sector
Issuer Rating
Liquidity Analysis of Non-financial sector entities
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Infrastructure Investment Trusts (InvITs)
Infrastructure Sector Ratings
Power- Transmission
Solar Power Projects

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Holding Company

Incorporated on April 6, 2018, SEPL is 100% owned by EIYP with the purpose of holding investments in the transmission and renewable sectors in India. As on March 31, 2024, SEPL holds a 74% stake in SSUPL (which operates a 190-MW DC/140-MW AC solar plant in Bhadla, Rajasthan). SEPL is also sponsoring an InvIT called AIEYPT (SEBI registration no. IN/InvIT/21-22/0020 SEPL, per the regulatory requirement and holds 15% in the InvIT, while EIYP, its affiliates, and other unitholders have stake in the balance.

Brief Financials (₹ crore) – Consolidated*	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	327	163
PBILDT	283	131
PAT	200	9
Overall gearing (times)	2.4	2.5
Interest coverage (times)	2.3	1.4

A: Audited UA: Unaudited; Note: these are latest available financial results *per CARE Ratings Methodology

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
Issuer Rating-Issuer Ratings		-	-	-	0.00	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	-	-	-	1)CARE AA; Stable (09-Nov-23) 2)Withdrawn (09-Nov-23)	1)CARE AA; Stable (26-Dec-22) 2)CARE AA (Is); Stable (01-Nov-22)	-
2	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA; Stable	-	1)CARE AA; Stable (04-Jan-24)	-	-

LT: Long term;

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

Annexure-4: Complexity level of instruments rated: Not applicable

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	Solaire Surya Urja Private Limited	Full	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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sabyasachi Majumdar Senior Director **CARE Ratings Limited** Phone: 91-120-445 2006 E-mail: Sabyasachi.Majumdar@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Jatin Arya Director **CARE Ratings Limited** Phone: 91-120-445 2021 E-mail: Jatin.Arya@careedge.in Shailendra Baghel Associate Director **CARE Ratings Limited** Phone: 91-226-837-4340 E-mail: Shailendra.Baghel@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.

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