FPEL Daylight Private Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	322.23	CARE A-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of FPEL Daylight Private Limited (FDPL) which is operating a 46.2 MW wind capacity in the state of Tamil Nadu, factors in the strong and resourceful parentage, by virtue of it being a 67% subsidiary of Fourth Partner Energy Pvt Ltd (4PEPL). The remaining stake is held by the offtakers as the plant is set up under the group captive regime. The stated posture of 4PEPL towards FDPL is strong as reflected by an irrevocable and unconditional limited period corporate guarantee by the promoter which shall be valid till the project stabilisation date or two years of successful operations. This apart, the promoter has also provided support undertaking for any shortfall in debt servicing, power purchase agreement (PPA) termination or reduced generation performance valid till the tenor of debt.

The rating derives strength from the presence of long term PPA (25 years) with strong Commercial & Industrial (C&I) offtakers with lock in period ranging between 12-15 years thereby ensuring revenue visibility to the company. The weighted average tariff provided by the company of ~Rs 3.8 per unit is competitive, offering substantial savings to the offtakers compared to the grid tariff. Moreover, the presence of enabling clause such as lock-in period and compensation to the developer in case of an early exit by the customer act as necessary safeguards.

The entire capacity was commissioned in phases between November 2023 to July 2024 and thus has a limited track record of operations. As the entire capacity is still under stabilisation phase, with six months of operational performance commencing from July 2024, the generation performance has remained lower than the designed energy estimates. CARE Ratings expects that the generation performance for FY25 would continue to remain below the designed estimates and has accordingly considered in its base case scenario. The units generated during the pre-commissioning phase were being to the same offtakers. The debt coverage indicators are expected to be comfortable as reflected by forward looking average debt service coverage ratio (DSCR) of around 1.24x. This apart, the company has created DSRA equivalent to one quarter of debt service obligations thereby providing comfort from credit perspective.

The rating is, however, constrained on account of limited operational track record of operations thereby exposing to stabilisation risk. Furthermore, rating is constrained due to the leveraged capital structure as the project is funded in a debt equity mix of 74.5:25.5, which is likely to result in a Total Debt/PBILDT remaining above 6.0x till FY29, as per CARE Ratings base case. Consequently, the company remains exposed to variations in the interest rates as the debt is linked to floating rates. CARE Ratings also takes into account vulnerability of project cash flows to adverse variation in weather conditions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit risk profile of the parent, Fourth Partner Energy Private Limited

Negative factors

- Lower-than-envisaged generation or elongated receivables days on a sustained basis adversely impacting the liquidity and debt coverage indicators with DSCR falling below 1.15x
- Weakening of the credit profile of the parent, i.e., FPEL or any change in linkages/support philosophy

Analytical approach: Standalone factoring parent support-FPEL

CARE Ratings has taken a Standalone approach for FDPL while factoring in the financial, managerial and operational support from the promoter, Fourth Partner Group.

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

Outlook: Stable

The stable outlook on the CARE A- rating of FDPL reflects CARE Ratings' opinion that the company would benefit from its long term PPA with reputed C&I customers. Also, the expectation of satisfactory generation and collection performance supports the outlook.

Detailed description of key rating drivers:

Key strengths

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 1.2 GW as of December 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 stated posture of 4PEPL towards FDPL is strong as reflected by an irrevocable and unconditional limited period corporate guarantee by the promoter which shall be valid till the project stabilisation date or two years of successful operations. This apart, the promoter has also provided support undertaking for any shortfall in debt servicing, power purchase agreement (PPA) termination or reduced generation performance valid till the tenor of debt.

Strong credit profiles of the off takers and long term PPAs with lock in periods provides revenue visibility:

All the entities in the RG have entered into long-term PPAs of 25 years with reputed corporates for the entire capacity with lock in period ranging between 12-15 years thereby ensuring revenue visibility to the company. The weighted average tariff of the entire portfolio is around ₹3.8 per unit.

Further the entities are selling power under the 'Group Captive' mechanism wherein some of the open access charges such as cross subsidy surcharge (CSS) and additional surcharge (AS) are not applicable thereby making the power tariff more competitive. Moreover, the presence of enabling clauses such as lock-in period and compensation to the developer in case of an early exit by the customer act as the necessary safeguards.

Comfortable debt coverage metrics; presence of 3 months DSRA

The portfolio's debt coverage metrics are expected to remain comfortable as reflected by average DSCR of 1.24x for the portfolio. SPVs are maintaining DSRA of 1 quarter in the form of FD. Presence of DSRA provides comfort from a credit perspective. Further, the project has tail life of ~4 years providing financial flexibility to the project.

Key weaknesses

Limited Operational Track Record:

The entire capacity was commissioned in phases between Nov 2023 to June 2024 and thus has a limited track record of operations. As the entire capacity is still under stabilisation phase, with six months of operational performance commencing from July 2024, the generation performance has remained lower than the designed energy estimates. The company reported a PLF of 29.47% against the P-90 estimate of 31.90% for the first year. CARE Ratings expects that the generation performance for FY25 would continue to remain below the designed estimates and has accordingly considered in its base case scenario. The units generated during the pre-commissioning phase were being to the same offtakers. Moreover, the payment from the offtakers, since commissioning, have been timely.

Leveraged capital structure along with exposure to interest rate risks

The capital structure of the company is leveraged as reflected by the External Debt/PBILDT remaining above 6x till FY29 as per CARE Ratings base case scenario. Given the leveraged capital structure, single part nature of the fixed tariff in the PPA and floating interest rates, its profitability remains exposed to any increase in interest rates.

Vulnerability of cash flows to variation in weather conditions

As tariffs are one part in nature, companies may report 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 entity had a free cash and bank balance of ₹10.8 crore as on March 31, 2024. This apart, the company is maintaining DSRA amounting to Rs 10.9 crore which is equivalent to one quarter as per the sanction terms as stipulated as a requirement in the sanction.

Going forward, gross cash accruals (GCA) in the medium term is expected to be in the range of ₹10-₹16 crore against annual repayments of ~₹9-12 crore annually.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

FPEL Daylight Private Limited (FDPL), incorporated in February 2022, is a SPV promoted by of Fourth Partner Energy Private Limited (holding 67% as on December 31, 2024 and balance by offtakers). FDPL it is engaged in wind power generation. The project achieved COD in July 2024 (SCOD: June 30, 2024+1 month grace period). The project has a capacity of 46.2MW comprising of 14 turbines (3.3 WTGs) at Ottapidaram in Tamil Nadu. The total sanctioned cost of the project stood at ₹436.17 crore against which ₹432.53 crore is the total cost incurred which is funded a debt equity ratio of 74.5:25.5.

Brief Financials (₹ crore) – Standalone	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	0.00	6.43
PBILDT	-0.01	4.95
PAT	-0.01	-2.93
Overall gearing (times)	155.67	4.33
Interest coverage (times)	0.00	0.66

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	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2045	322.23	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	322.23	CARE A-; Stable				

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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