SJVN Green Energy Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	10,000.00	CARE AA; Stable	Assigned
Long-term bank facilities	1,823.60	CARE AA; Stable	Reaffirmed
Short-term bank facilities	5.00	CARE A1+	Reaffirmed
Issuer rating	0.00	CARE AA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings (CARE Ratings Limited) has reaffirmed ratings on the issuer and bank facilities of SJVN Green Energy Limited (SGEL). Ratings derive strength from financial flexibility and operational expertise provided by SGEL's parent SJVN Limited (SJVN, rated CARE AA+; Stable/ CARE A1+) SJVN has a proven track record of executing complex power projects (such as large hydro) in the past and SGEL has a strategic position within the group, as a vehicle for growth in the renewable energy sector, enabling SJVN to meet its long-term capacity targets. SJVN has infused a total equity of ₹3,800 crore into SGEL by December 31, 2024. Moreover, SJVN has extended letter of comfort for term debt financing of projects of SGEL, highlighting the strategic importance SGEL holds.

Ratings continue to factor in revenue visibility owing to the presence of long-term power purchase agreements (PPAs) for majority of its 7.0 GW portfolio with state distribution utilities and central counterparties. The portfolio comprises 0.4 GW operational capacity and ~6.6 GW under construction/development capacity. The rating also factors in satisfactory operational performance of 0.4 GW capacity and timely payment from off-takers.

However, rating strengths are constrained by project execution and funding risk associated with ~6.6 GW under construction/development capacity to be commissioned in the next 2-3 years. The execution of under construction projects has been delayed in the past including 1 GW Bikaner CPSU. However, as articulated by the management, the extension in scheduled commercial operations date (SCOD) has been received/under discussion with off-takers. The company's ability to commission under-construction projects without material cost and/or time overrun shall be a key rating monitorable. Ratings are also constrained by leveraged financial risk profile due to high debt equity funding mix of 80:20, which is customary for renewable power projects. Ratings are constrained by exposure to state distribution utilities, several of which, have weak-to-moderate financial risk profile, exposing the company to counterparty credit risk. However, payments from state distribution utilities have been timely for the operational capacity mitigating the risk to some extent. Ratings also take note of its small operational portfolio, exposure to technology and climate risk and interest rate risk since tariffs are fixed for tenor of PPA, while interest rate is floating in nature.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful commissioning of underlying capacity within envisaged cost and time.
- Higher-than-envisaged generation on a sustained basis leading to improvement in coverage and leverage metrics.

Negative factors

- Deterioration in credit profile of the parent company SJVN Limited or dilution in its support philosophy towards SJVN Green.
- Major time and/or cost overruns in in project execution resulting in higher-than-expected leverage levels.
- Significantly lower-than-envisaged generation or higher borrowing cost leading to adverse coverage indicators.
- Deterioration in credit profile of PPA off-takers, leading to build up of receivables and adversely impacting the company's liquidity profile.

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

Analytical approach: Consolidated.
Factoring linkages due to strong operational and financial linkages with the parent entity, SJVN Limited. Entities consolidated are listed under Annexure-6.

Outlook: Stable
The stable outlook on the long-term rating of SGEL reflects CARE Ratings' opinion that the company will be able to scale up its operating portfolio by commissioning underlying projects within expected timelines and without material cost overrun. The outlook is supported by presence of long-term PPAs for majority portfolio, operational performance in line with design estimates and timely payment from off-takers in line with past trends.

Detailed description of key rating drivers:

Key strengths

Strong business and financial linkages with parent
SGEL is a wholly owned subsidiary of SJVN, which is a 'Navratna' and Schedule 'A' central public sector undertaking (CPSU) under the Ministry of Power (MoP), Government of India (GoI), and is a joint venture (JV) between the GoI (55% holding as on December 31, 2024) and the Government of Himachal Pradesh (26.85% holding as on December 31, 2024). SJVN is listed on BSE/ NSE, and remaining shareholding is held by public. The company has operating hydro, solar and wind power capacity of 2,465.5 MW on a consolidated basis as on August 31, 2024, and is implementing hydroelectric and solar projects in Uttarakhand, Himachal Pradesh, Gujarat, Uttar Pradesh. SJVN is also implementing projects in Nepal and a thermal power project in Bihar through its special purpose vehicles (SPVs). SJVN's cash flow has been steady in the past, with a satisfactory average collection period, tempered by increasing leverage considering significant capacity under construction.

SGEL has been established as a renewable arm for the SJVN group and holds high strategic importance for the group. Given the size of capacity addition envisaged through SGEL, it is expected to derive strong financial, operational and execution support from its parent SJVN as evident from equity infusion of ₹3,800 crore as on December 31, 2024. SJVN has extended letter of comfort to term loans of SGEL.

Diversified pool of assets, presence of long term PPA provides revenue visibility
SGEL has a portfolio of ~7.0 GW of renewable projects, of which, 0.4 GW are operational, and 6.6 GW are under construction/development as on January 31, 2025. Projects are spread across eight states with Maharashtra and Gujarat having majority capacity share. The capacity is contracted with 10 different off-takers with no off-taker having over ~25% share. Gujarat Urja Vikas Nigam Limited (GUVNL), Punjab discom, Rajasthan Discom and MSEDCL are key PPA counterparties comprising ~80% of total capacity. Assets under SGEL have low revenue risk considering long-term PPA at tariff determined through competitive bidding**.**

Satisfactory generation performance of operational capacity although limited track record
Operational performance of 390 MW installed capacity has been satisfactory with plant load factor (PLF) of 25.85% in FY24 and 22.19% in 9MFY25. The weighted average track record of operational capacity is 1.3 year as on March 2025. The company's ability to demonstrate generation performance in line with design estimates shall be a key rating monitorable.

Key weaknesses

Project execution and funding risk
SGEL has ~6.6 GW assets currently in pipeline, which are expected to be commissioned in the medium term including ~2.0 GW in FY26 per the management. The project has witnessed delays in the past due to land acquisition and engineering, procurement, and construction (EPC) contractor related issues. However, the company has received extension for 1 GW Bikaner CPSU project till March 31, 2025, and further extension is under discussion. The company's ability to commission under construction projects without material cost and/or time overrun shall be a key rating monitorable.

Leveraged capital structure in the medium term
SGEL is expected to remain leveraged considering under construction/development capacity of 6.6 GW leading to high debt levels in the medium term. The projects are expected to be funded in debt to equity of 80:20.

Counter party credit risk associated with exposure to state distribution utilities

In overall portfolio of ~7.0 GW, SGEL has exposure to state distribution utilities, which have weak-to-moderate financial profile exposing the company to counterparty credit risk. Higher level of aggregate transmission and commercial (AT&C) losses, rising power purchase costs, and absence of cost-reflective tariff regimes have put a strain on the financial position of some state distribution utilities. However, payment from off-takers for operational capacity has been timely mitigating the risk to some extent. Sustenance of timely payments once the projects are commissioned shall be a key rating monitorable

Risk due to interest rate fluctuation, foreign currency exchange, climate, and technology
SGEL is exposed to interest rate fluctuations as bank facilities availed are floating rate loans and have periodic interest rates resets. The company is also exposed to foreign currency exchange risk and refinancing risk on external commercial borrowings (ECBs)s. As tariffs are one part in nature, the group may book lesser revenues for non-generation of power due to variation in weather conditions and/or equipment quality. This would affect its cash flows and debt servicing ability.

Liquidity: Strong

SGEL's liquidity is marked cash and cash equivalent of ~₹1,964 crore as on December 31, 2024. SGEL's liquidity is expected to be further supported by the parent SJVN through equity infusion to fund its equity requirement for under-construction projects.

Environment, social, and governance (ESG) risks

The company's ESG profile is expected to derive comfort from its strong linkages with parent SJVN Limited. Since SGEL's entire business and operations is in renewable power generation, the company is not exposed to environmental risks. The social and governance profile of SGEL is expected to be strong owing strong parentage of SJVN.

Applicable criteria

Consolidation & Combined Approach
Policy on Default Recognition
Notching by Factoring Linkages in Ratings
Financial Ratios – Non financial Sector
Issuer Rating
Liquidity Analysis of Non-financial sector entities
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Rating of Short Term Instruments
Infrastructure Sector Ratings
Solar Power Projects
Wind Power Projects

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

Incorporated on March 30, 2022, as a wholly owned subsidiary of SJVN, SGEL is set up for a purpose to be the renewable arm for SJVN. As on March 25, 2025, the company has 390 MW operational solar assets including 90 MW floating solar power project commissioned in Q2FY25. SGEL has ~6.6 GW under-construction/development projects. SGEL will operate in verticals of power generation from renewable sources such as solar parks, wind and hybrid projects, battery energy storage system, biomass, small hydro, and green hydrogen-based business ventures.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	9M FY25 (UA)
Total operating income	12.5	52.5	120.0
PBILDT	10.7	35.9	99.7
PAT	-10.6	2.1	11.4
Overall gearing (times)	1.27	0.99	NA
Interest coverage (times)	1.33	1.13	NA

A: Audited UA: Unaudited; Note: these are latest available financial results *Financials reclassified per CARE Ratings' internal standards

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	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-External Commercial Borrowings		-	-	September 2028	1600.00	CARE AA; Stable
Fund-based - LT-Term Loan		-	-	July 2029	10000.00	CARE AA; Stable
Fund-based - ST-Bank Overdraft		-	-	-	5.00	CARE A1+
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE AA; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	223.60	CARE AA; Stable

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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	0.00	CARE AA; Stable	1)CARE AA; Stable (09-Sep-24)	1)CARE AA; Stable (14-Feb-24) 2)CARE AA; Stable (23-Aug-23)	-	-
2	Fund-based - LT-External Commercial Borrowings	LT	1600.00	CARE AA; Stable	1)CARE AA; Stable (09-Sep-24)	1)CARE AA; Stable (14-Feb-24)	-	-
3	Fund-based - ST-Bank Overdraft	ST	5.00	CARE A1+	1)CARE A1+ (09-Sep-24)	1)CARE A1+ (14-Feb-24)	-	-
4	Non-fund-based - LT-Bank Guarantee	LT	223.60	CARE AA; Stable	1)CARE AA; Stable (09-Sep-24)	1)CARE AA; Stable (14-Feb-24)	-	-
5	Fund-based - LT-Term Loan	LT	10000.00	CARE AA; Stable				

LT: Long term; ST: Short 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-External Commercial Borrowings	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - LT-Bank Guarantee	Simple

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	Sgel Assam Renewable Energy 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 **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Sabyasachi Majumdar Senior Director **CARE Ratings Limited** Phone: +91-120-445 2006 E-mail: Sabyasachi.majumdar@careedge.in Jatin Arya Director **CARE Ratings Limited** Phone: 91-120-4452021 E-mail: Jatin.Arya@careedge.in Shailendra Singh Baghel Associate Director **CARE Ratings Limited** Phone: 91-120-4452020 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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