Carbon Minus Energy Private Limited (Revised)

April 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	28.90	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	2.00	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Carbon Minus Energy Private Limited (CMEPL) takes into account small scale of operation of the group and leveraged capital structure due to debt-funded capex implementation in the SPVs. The rating further remains constrained due to competitive nature of industry, susceptibility of profitability to volatility in solar module prices and susceptibility of renewable power generation capacity to inherent risk of changes in climatic conditions.

The aforementioned weaknesses get partially offset by the comfortable order book position and the successful completion of PPA projects ensuring revenue visibility in future.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation, with the combined entity recording turnover of Rs 200 crores with PBILDT margin of more than 10%.
- Improvement in gearing level of combined entity below 3x.

Negative factors

- Failure to scale up operation as envisaged.
- Any further debt laden project, resulting in further moderation in capital structure.

Analytical approach: Combined

For arriving at the rating of CMEPL, CARE has combined the business and financial risk profiles of CMEPL and its two existing SPVs CME Solar Park Private Limited (CSPPL) and Dhalipur Solar Project Private Limited (DSPPL) till FY24. Furthermore, two new SPVs namely Bagnath Power Private Limited and C Minus Energy Private Limited, have been added during FY25 which have been considered for analytical purposes from FY25 onwards. CMEPL and the SPVs have common shareholders with common management, are in the same line of business with operational linkage and exhibit cash flow fungibility.

Outlook: Stable

The stable outlook is based on CARE Ratings Limited's (CARE Ratings) expectation of growth in scale of operation as envisaged along with improvement in capital structure in the upcoming years.

Detailed description of key rating drivers:

Key weaknesses

Small scale operation of the group albeit improvement on a standalone basis

The scale of operation of the company is small marked by CMEPL's revenue of ~Rs 24 crores in FY24 on a standalone basis with PBILDT margin of 7.93%. The Total operating income (TOI) on standalone basis has been growing in the past three years majorly on account of successful and timely execution of orders in hand. However, on a combined basis, the TOI for FY24 stood at Rs 6.96 crore, as around Rs 17.00 crore of turnover of CMEPL was billed to the SPVs. The profitability margins on a combined basis remained negative due to small scale and initial stages of projects in the two SPVs.

The revenues of the group are expected to improve going ahead with gradual completion of projects along with initiation of revenues from power sales in some of the completed projects.

Leveraged capital structure due to initial stage of projects

The capital structure of the combined entity remained leveraged with overall gearing of 6.15x as on March 31, 2024, and total debt of Rs 18.57 crores (combined debt of CMEPL, DSPPL and CSPPL as on March 31, 2024) , comprising majorly of term loan

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

and unsecured loan from promoters to finance the projects in hand. Furthermore, due to CSPPL and DSPPL being project stage entities, the networth on combined basis have been moderated due to losses accrued during the year.
The capital structure is expected to remain leveraged in near to medium term owing to new loans taken to fund execution of projects in hand. However, the leveraging will be supported by new capital infusion by the promoters as articulated by the management.

Susceptibility of profitability to volatility in solar module prices
Solar panels form around 70% of the total project cost for any solar EPC project. Solar developers in India face cost pressures due to fluctuating module prices leading to volatility in input cost of the company.

Susceptibility of its renewable power generation capacity to inherent risk of changes in climatic conditions
The operations solar energy generation projects are susceptible to the inherent risk of weather fluctuations (beyond the control of the company) such as variations in solar radiation levels, which can affect their plant load factors (PLFs). Also, the renewable energy generation projects are susceptible to seasonal variations. Therefore, any adverse variations in the climatic conditions would lead to decrease in the income from PPA and might impact the cash flows of the company.

Business risk associated with tender-based orders
The company undertakes solar projects, which are awarded through the tender-based system. The company is exposed to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Further, any changes in the government policy or private spending on projects are likely to affect the revenues of the company.

Key Strengths

Satisfactory order book position
The order book position of the group stood satisfactory with EPC contracts in hand of around Rs 428 crores as on December 31, 2024, which is projected to significantly improve the scale in next two years. Further, the company will also generate revenues from power sales under PPA agreements from projects executed.

Completion of PPA projects ensuring revenue visibility
As articulated by the management the three ongoing projects for Power Purchase Agreements (PPA) in the SPVs have been completed during Q4FY25 and power generation and sales has commenced. The same is expected to considerably improve the revenue of the group from FY26 onwards.

Liquidity: Adequate
The combined entity had Rs 0.40 crore debt repayment obligation during FY24, which was comfortably met through fund infusion by the promoters in terms of equity and unsecured loan. In FY25, the combined entity had Rs. 0.43 crore loan repayment obligation, which has already been met.
The payments for the EPC contracts are received on a milestone basis with a credit period of around 40-50 days in general which helps maintaining a comfortable operating cycle. Furthermore, The debt repayments for two PPA projects will start from December'25 which is expected to be met from the PPA revenues by way of Escrow mechanism. Also, as articulated by the management, DSRA equivalent to interest and principal repayment of 2 quarters will be created before the commencement of repayment obligations.

Applicable criteria

Definition of Default
Consolidation
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Carbon Minus Energy Private Limited (CMEPL), based in Tamil Nadu, was established on May 15, 2021, by Mr. Pankaj Choudhary and Mr. Ashok Kumar. The company is engaged in the execution of solar projects on EPC basis catering to residential and industrial

sectors. The company operates on both OPEX and CAPEX models and facilitates for Power Purchase Agreements (PPAs), lease financing, and captive models.
Dhalipur Solar Project Private Limited is a SPV formed by CMEPL to execute PPA project for Uttarakhand Government, having total contract value of Rs 34.38 crore. CME Solar Park Private Limited is another SPV formed by CMEPL to execute PPA project for Uttarakhand Government, having total contract value of Rs 52.25 crore. Both the projects have been completed and power generation have already started.
Another SPV namely Bagnath Power Private Limited for PPA contract with Uttarakhand Government has also started power generation from Q4FY25 onwards.
C Minus Energy Private Limited is a newly formed SPV for executing two 87MW solar projects having contract value of Rs 604 crores in total, for MAHAGENCO. The group holds 70% share in the project.

Combined Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	9.40	6.96
PBILDT	0.48	-5.31
PAT	0.01	-7.07
Overall gearing (times)	133.34	6.15
Interest coverage (times)	18.25	-2.49

Standalone Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	9.40	23.96	20.00
PBILDT	0.48	1.90	-
PAT	0.01	0.63	-
Overall gearing (times)	133.34	0.97	-
Interest coverage (times)	18.25	8.16	-

A: Audited UA: Unaudited; 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	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	26.80	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	September 2027	2.10	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	2.00	CARE BB; Stable / CARE A4

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	2.10	CARE BB; Stable				
2	Fund-based - LT-Cash Credit	LT	26.80	CARE BB; Stable				
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	2.00	CARE BB; Stable / CARE A4				

LT: Long term; LT/ST: Long term/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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	CME Solar Park Private Limited	Full	Operational and financial linkages
2	Dhalipur Solar Project Private Limited	Full	Operational and financial linkages
3	Bagnath Power Private Limited	Full	Operational and financial linkages
4	C Minus Energy Private Limited	Full	Operational and financial linkages

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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