

O2 Renewable Energy XXII Private Limited

July 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	123.60	CARE A+; Stable	Upgraded from CARE A- and removed from Rating Watch with Positive Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has upgraded the long-term rating of O2 Renewable Energy XXII Private Limited (O2REXXII) and has simultaneously removed the existing rating watch. The upgrade in the rating factors in the improvement in the credit profile of the sponsor and enhanced clarity regarding the support philosophy of JSW Energy towards the assets of O2 Power. As articulated by the JSW Energy management, the O2 Power's assets are strategic in nature and support requirement if any, shall be forthcoming. CareEdge Ratings also considers the presence of sponsor support undertaking from JSW Neo Energy Limited (JSNEL) towards support shortfall in debt servicing.

The rating continues to factor in presence of long-term power purchase agreement (PPA) for the company's 35.2 MW AC (47.52 MW DC) solar power project in Karnataka with a strong off-taker, Ultratech Cement Limited (UTCL) for power supply at a fixed tariff of ₹3.05/ kwh for 25 years from commercial operations date (COD). UTCL has a strong credit profile which mitigates counter-party credit risk and payments from UTCL are expected to be timely.

O2REXXII has set up solar project for meeting the power requirement of UTCL under the group captive mode with UTCL holding 26% equity stake and procuring the entire output. The project has achieved COD on October 23, 2024. The presence of enabling clauses such as lock-in period of 15 years and compensation to the developer in case of an early exit by the customer act as necessary safeguards. Going forward, per CareEdge Ratings' base case scenario, the debt protection metrics are expected to be comfortable as reflected by average debt service coverage ratio (DSCR) being ~1.2x for the debt tenor. The rating also derives strength from the presence of one quarter debt service reserve account (DSRA).

However, these strengths of O2REXXII are tempered due to its limited track record of operations, as the plant has achieved commissioning in October 2024 and is yet to demonstrate operational track record. The company's ability to achieve generation in line with P90 PLF estimates will be the key credit monitorable. The rating is constrained due to leveraged capital structure as the project has been funded through a debt equity mix of 70:30. The same is likely to lead to a full year total external debt/earnings before interest, taxation, depreciation, and amortisation (EBITDA) multiple of ~6.40x in FY26. The company also remains exposed to variations in the interest rates as the tariff is fixed for PPA tenor and interest rate is floating in nature. CareEdge Ratings also considers vulnerability of project cash flows to adverse variation in weather conditions. The company is exposed to regulatory risk associated with changes in open access regulations and banking norms. Per the PPA, such charges are borne by the off-taker, however, increase in open access charges can lead to lower savings and reduce the incentive to purchase power from the project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Generation in line with P90 PLF estimates and timely payment from counter parties leading to average DSCR of 1.25x on a sustained basis.

Negative factors

- Lower-than-envisaged generation or increase in borrowing cost or higher-than-envisaged expenses, significantly impacting the coverage indicators.
- Weakening of the credit profile of ultimate parent company, JSWEL or adverse change in linkages/support philosophy between JSWEL and O2REXXII.
- Deterioration in the credit risk profile of the off-taker and elongation in receivable cycle beyond three months, negatively impacting the liquidity of the company.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

- Adverse change in regulatory environment concerning commercial and industrial (C&I) space of the state.

Analytical approach: Standalone, factoring in parent support from ultimate parent, JSWEL

CareEdge Ratings has notched up ratings, factoring operational, financial, and managerial support extended by the promoter JSWEL

Outlook: Stable

Stable outlook factors in the presence of long-term PPA with a strong counter party, generation expected to be in line with P90 PLF estimates and anticipated timely receipt of payments from off-taker leading to stable cash flows.

Detailed description of key rating drivers:

Key strengths

Strong parentage of JSWEL

O2REXXII benefits from the robust credit profile of its ultimate parent, JSWEL, which is supported by its large-scale operations and diversified business activities. JSWEL operates across multiple states in the power generation and transmission sectors. As of March 2025, it had an operational generation capacity of 10.9 GW (12.1 GW post-acquisition of O2 group in April 2025), comprising thermal (52%), hydro (13%), and renewable energy (35%). Additionally, it has ~9.2 GW of capacity under construction, excluding storage, and inorganic projects. Its financial flexibility is strengthened by its affiliation with a seasoned and resourceful promoter group.

Long-term revenue visibility considering long-term PPA under group captive mode

O2REXXII has entered long-term PPA with Ultratech Cement Limited (UTCL) for power supply from 35.20 MW(AC) project at a fixed tariff of ₹3.05 / kwh for 25 years from COD. This provides long-term revenue visibility to O2REXXII. The project is being set up under the group captive mode with UTCL owing 26% stake in the company and procuring entire generation. The PPA assures minimum savings of 10% on the Alternate Power Cost subject to maximum of applicable Grid Tariff of the Captive User. The project is being setup in Karnataka and will supply power to cement units of Ultratech in the same state.

Successful commissioning of project

The 35.20-MW (AC) grid connected solar project is in Vijayanagara district, Karnataka. The project was successfully commissioned in October 2024. Given the recently commissioned status, the project has limited operating track record. The project is equipped with solar modules from Longi and Jinko Solar and inverters from Sungrow both of which have standard warranty clauses. Moderate coverage metrics for O2REXXII are expected to be comfortable with average DSCR being ~1.2x for the projected period. Availability of DSRA equivalent to one quarter of debt servicing provides comfort from credit perspective.

Key weaknesses

Project stabilisation risk

The project achieved commissioning on October 23, 2024, and thus has a limited operational track record. The generation performance for the given track record of operations remains lower than designed energy estimates as the project is under stabilisation phase. Going forward, the company's ability to demonstrate generation performance in line with P90 PLF estimates shall be a key rating monitorable since revenue is linked to actual generation.

Leveraged capital structure with interest rate risk

The rating is constrained due to leveraged capital structure as the project is funded in a debt equity mix of 70:30. Per CareEdge Ratings' base case scenario, the total external Debt/EBITDA is expected to remain above 6x over next few years. Given the single part nature of the fixed tariff in the PPA and floating interest rates, the profitability remains exposed to increase in the interest rates.

Vulnerability of cash flows to variation in weather conditions

As tariffs are one part in nature, the company may book lower revenues in the event of non-generation of power due to variation in weather conditions and/or equipment quality. This, in turn, would affect its cash flows and debt servicing ability. The

geographical concentration of asset amplifies the generation risk. The revenue is linked to actual generation and lower generation may adversely impact the debt coverage indicators.

Liquidity: Adequate

The liquidity of the company is adequate as reflected by cash and bank balance of ~₹9.93 crore as on March 31, 2025 (including DSRA of ~₹3.95 crore which is equivalent to over one quarter of debt service obligations). Going forward, CareEdge Ratings expects the generation performance to remain in-line with P-90 estimates and collection to remain timely. Per CareEdge Ratings' base case, gross cash accruals (GCA) for FY26 and FY27 is expected to be ₹7.30 crore and ₹7.40 crore, respectively, against annual repayments (Principal) of ~₹3.71 crore for each year, respectively.

Applicable criteria

[Policy on Default Recognition](#)

[Notching by Factoring Linkages in Ratings](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[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

O2REXXII is a special purpose vehicle incorporated on August 20, 2023, as a joint venture between O2 Power and UTCL. The company signed a PPA with UltraTech for supplying power under captive structure from 35.2-MW solar project at Vijayanagara district, Karnataka, at a fixed tariff of ₹3.05/unit for 25 years with 15 years lock-in. The company achieved operationalisation on October 23, 2024.

Brief Financials (₹ crore)	FY25 (A)
Total operating income	7.23
PBILDT	4.70
PAT	-0.15
Overall gearing (times)	1.47
Interest coverage (times)	0.91

A: Audited; Note: these are latest available financial results || Financials reclassified per CareEdge 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-Term Loan		-	-	Sept 2041	123.60	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 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	123.60	CARE A+; Stable	1)CARE A-(RWP) (03-Apr-25)	-	-	-

LT: Long term; ST: Short 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-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: CareEdge 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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