

## O2 Renewable Energy II Private Limited

July 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	28.69	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 II Private Limited (O2REIPL) and has simultaneously removed the rating from watch with Positive implications. 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 Limited (JSWEL) towards the assets of O2 Power. As articulated by the JSWEL management, the O2 Power's assets are strategic in nature and support requirement if any, shall be forthcoming. CareEdge Ratings also considers the continuation of a sponsor undertaking from JSW Neo Energy Limited that mandates meeting debt shortfall and shortfall in maintaining the debt service reserve account (DSRA) till November 2032 (8 years from initial disbursement).

The rating continues to factor in low sales risk emanating from the long-term power purchase agreement (PPA) with Syngene International Limited (SIL) for 25 years from commercial operations date (COD) at a fixed tariff for its 4.4-MW wind power plant in Karnataka. The project has been setup in group captive mode with the off-taker owing 28% equity stake in the company and procuring entire generation of the project. The rating also factors in the satisfactory operational track record since COD on March 23, 2023 as evident from plant load factor (PLF) of 36.48% in FY2024 and 34.03% in FY25 against P90 PLF of 35.0%. The marginally lower PLF in FY25 was considering lower wind speed, while machine and grid availability remained above 98%. The company's ability to demonstrate generation in line with P90 PLF estimates shall be a key rating monitorable since revenue is linked to actual generation. The counter party credit risk is low factoring in strong financial profile of the sole off-taker, SIL. The payment from SIL has been timely since COD. Favourable terms of the loan characterised by elongated tenor, and maintenance of two quarter of debt service reserve account (DSRA) provides additional comfort.

The rating is constrained by O2REIPL's leveraged capital structure due to large debt-funded capital expenditure incurred for setting up the project. The total debt/earnings before interest, taxation, depreciation, and amortisation (EBITDA) was high at 7.9x as on March 31, 2025, and is expected to remain above 6x in the next three years. With the project debt linked to floating interest rates and fixed tariff for PPA tenor, the project's cash flows remain exposed to interest rate volatility. CareEdge Ratings also factors in exposure of project cash flows to adverse variations in weather conditions given the single part tariff for the project and asset concentration risk given the full capacity is in a single state. The rating is also exposed to regulatory risk associated with open access and banking regulations. Any adverse change may increase the landed cost of power for off-taker leading to lower savings.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Substantially higher-than-envisaged generation on a sustained basis and better-than-base case coverage and leverage metrics.

#### Negative factors

- Lower-than-envisaged generation or increase in borrowing cost or higher-than-envisaged expenses, significantly impacting the coverage indicators to less than 1.15x on a sustained basis.
- Weakening of the credit profile of ultimate parent company, JSWEL, or adverse change in linkages/support philosophy between JSWEL and O2REIPL.
- Elongated receivables days on a sustained basis adversely impacting O2REIPL's liquidity.
- 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

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

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, satisfactory revenue visibility, and anticipated timely receipt of payment from its off-taker leading to stable cash flows

**Detailed description of key rating drivers:****Key strengths****Strong parentage of JSWEL**

O2REIPL 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.

**Low sales risk due to long-term PPA with SIL for entire capacity at fixed competitive tariff with strong counterparty**

The company is supplying power to SIL per terms of the PPA signed for supply of power at a fixed tariff of ₹3.69 per unit, for 25 years from COD. This provides long-term revenue visibility to O2REIPL. The contracted tariff is at a discount to the state grid tariff rate. The lock-in period of 15 years with termination payment equivalent to 24 months of tariff payments or remaining lock-in period, whichever is lower and payment security in form of BG equivalent to average one month revenue provide comfort. SIL is making timely payments, within 30 days to the company. Timely payment from the off-taker on sustained basis will be a key monitorable.

**Satisfactory operational performance**

The operational track record of the company has been satisfactory since COD on March 23, 2023, as evident from PLF of 36.48% in FY24 and 34.03% in FY25 against P90 PLF of 35.0%. The marginally lower PLF in FY25 was considering lower wind speed while machine and grid availability remained above 98%. The company's ability to demonstrate generation in line with P90 PLF estimates shall be a key rating monitorable since revenue is linked to actual generation.

**Moderately comfortable debt protection metrics, two quarter DSRA in place**

The project debt coverage indicators are expected to be moderately comfortable as reflected by average DSCR of above 1.25x per CareEdge Ratings base case over tenure of the rated facility. DSRA equivalent to two quarter of debt servicing is in place in line with sanction which supports the liquidity of the company. The loan tenor is 20.50 years (including moratorium period of one year) against PPA tenor of 25 years leading to a tail period of ~4.5 years, which supports the rating

**Key weaknesses****Leveraged capital structure and exposure to interest rate risk**

The company's capital structure is leveraged due to the debt-funded capex incurred for setting up the project as evident from total debt/EBITDA of 7.9x as on March 31, 2025. Going forward, CareEdge Ratings expects the company's total debt/EBITDA to remain above 6.5x in the next three years. Given the leveraged capital structure and single-part nature of the fixed tariff in the PPA, profitability remains exposed to increase in interest rates, given the floating nature of interest on bank facility availed by the entity.

**Vulnerability of cash flows to variation in weather conditions**

Given the single-part tariff structure, the company's revenue directly depends on actual power generation. Any deviation in generation due to adverse weather conditions or equipment performance issues may lead to lower revenue, impacting cash flows and debt servicing capacity. The geographic concentration of the project further heightens the generation risk, as localised weather variability can significantly affect output. Wind power projects are inherently exposed to seasonal and climatic

fluctuations, with higher PLFs typically observed between May and September and lower generation in October to April. Consequently, variability in wind patterns can adversely affect the PLF and weaken the project's debt coverage metrics.

### Exposure to regulatory risk

O2REIPL is exposed to regulatory risks considering changes in open-access charges and banking norms. The risk is mitigated to some extent by passthrough of such charges and losses to off-taker in PPA and sufficient built-up of it through tariff. However, in case of upward revisions in these charges and losses or adverse change in regulations, landed cost of power for off-taker could increase, impacting tariff cost competitiveness. However, it is understood that the promoter is likely to support the special purpose vehicle (SPV) in case of adverse regulatory impact.

### Liquidity: Adequate

O2REIPL's gross cash accruals (GCA) in FY26 and FY27 are expected to sufficiently cover its debt repayment obligations. O2REIPL has cash and cash equivalent of ~₹3.54 crore (including DSRA of ₹2.12 crore) as on March 31, 2025. The company does not have sanctioned working capital limit.

### 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](#)

[Wind Power Projects](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

O2REIPL is an SPV incorporated on December 06, 2021, under the O2 Platform. It has set up a 4.4-MW wind power project in Kudligi village, Bellary district, Karnataka, under C&I captive model. O2 Energy SG Pte Ltd holds 71.96% stake in O2REIPL while remaining 28.04% is held by the off-taker SIL.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)
Total operating income	5.12	4.84
PBILDT	4.15	3.67
PAT	1.29	-0.86
Overall gearing (times)	2.95	2.81
Interest coverage (times)	1.26	1.18

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		-	-	June 2043	28.69	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	28.69	CARE A+; Stable	-	1)CARE A-(RWP) (07-Jan-25) 2)CARE A-; Stable (10-Sep-24)	1)CARE A-; Stable (14-Jun-23)	-

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.

### Contact us

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