

DRES Energy Private Limited

July 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	68.24	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 DRES Energy Private Limited (DRES) 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 continuation of a sponsor support undertaking towards shortfall in debt servicing.

The rating continues to factor in the long-term power purchase agreement (PPA) with Dr. Reddy's Laboratories Limited (DRL) for 25 years from commercial operations date (COD) at pre-determined tariff for its 15-MW ground-mounted solar power plants in Telangana. The rating further draws strength from the satisfactory operational record of over seven years as evident from plant load factor (PLF) of 16.87% in FY24 and 16.16% in FY25, higher than P90 PLF estimates. The counter party credit risk is low considering strong financial profile of DRL as evident from timely payments since COD. The maintenance of one quarter of debt service reserve account (DSRA) continues to add strength to the rating.

However, the rating strengths are constrained by regulatory risk associated with group captive projects as the tariff charged by DRES is inclusive of all charges and losses and adverse regulatory change may impact the financial profile of the company. While the operational performance is at satisfactory level in FY24 and FY25, the billed units were lower considering banking and wheeling losses. Nevertheless, the group has undertaken several measures to improve generation. The rating continues to factor in leveraged capital structure of the company as evident from total debt/earnings before interest, taxation, depreciation, and amortisation (EBITDA) of 6.3x as on March 31, 2025 (provisional) which is expected to remain above 6x in the next two years. The rating is exposed to inherent technology and climatic risk. The company is exposed to interest rate risk as the interest rate is fixed in nature for five years only and afterwards floating in nature.

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.
- Weakening of the credit profile of ultimate parent company, JSWEL or adverse change in linkages/support philosophy between JSWEL and DRES.
- 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.
- Adverse change in regulatory environment concerning commercial and industrial (C&I) space of the state.

Analytical approach:

Standalone plus factoring in support from the ultimate parent company, JSWEL.

¹Complete definition of ratings assigned are available at 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

The stable outlook factors in the presence of long-term PPA with a strong counter party, satisfactory generation track record which is expected to sustain in the future and timely receipt of payments from the off-taker leading to stable cash flows.

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

DRES 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

DRES has entered a PPA with Dr. Reddy's Laboratories Limited (DRL) for the entire capacity for 25 years from COD, which provides long-term revenue visibility. The escalation in tariff is defined till 15th year from COD under the PPA. There is provision of late payment surcharge and payment security mechanism per the PPA. While there is no lock-in period, CareEdge Ratings observes reasonable exit clause and compensation upon exit clause in the PPA.

Long operational track record

The plant achieved COD in phases – 8 MW on March 25, 2017, and 7 MW on December 28, 2017. Both the units have a successful track record of operations of over seven years.

Improved generation performance in previous years

DRES has demonstrated generation lower than P-90 estimates till FY2023 mainly due to sub-optimal O&M practices. However, the generation in FY24 and FY25 has been higher than P-90 PLF. Post-acquisition, DRES has conducted a detailed study of the plant to identify the major issues leading to lower generation in the past. Sterling and Wilson Renewable Energy Limited is the new O&M contractor to improve the O&M activities. Going forward, generation in line with P90 PLF estimates shall be a key rating monitorable.

Low counterparty credit risk and timely collection in past

DRL's credit profile is strongly characterised by product and geographic diversification and satisfactory financial profile which mitigates counter party credit risk to a large extent. The collection efficiency for DRES in FY23 (refers to April 01 to March 31), FY24 and FY25 has been consistently satisfactory. Timely payment from off-taker in future shall remain a key rating monitorable.

Favourable lending terms of refinancing

The company refinanced its existing loan in FY23. The loan has an extended tenor with competitive interest rate fixed for five Years. However, the debt coverage indicators remain moderate with average debt service coverage ratio (DSCR) of 1.15x. Comfort is derived from the stipulation of one quarter of DSRA and provision for cash sweep enabling prepayment upon achievement of certain level of cash surpluses. The loan also encompasses an undertaking from OESPL to provide and contribute funds to the borrower as debt shortfall support.

Key weaknesses**Leveraged capital structure**

The company has leveraged capital structure and refinancing of term loan in FY23. The total debt/EBITDA remained high at 6.3x as on March 31, 2025 (provisional) and is expected to remain above 6x in the next two years. Moreover, the presence of stipulation of put option at the 10th year by the lender exposes it to refinancing risk.

Exposure to climate risk

As tariffs are one part in nature, the company might book lesser 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 the asset amplifies the generation risk. The revenue is linked to actual generation and decline in generation will adversely impact the debt servicing ability of the company.

Exposure to regulatory risk

DRES operates under group captive model and is exposed to the regulatory risks considering changes in open-access charges and banking norms. In case of upward revision in these charges and losses or adverse change in regulations, the profitability of DRES will be impacted as charges and losses are to be borne by the company.

Liquidity: Adequate

The company is required to maintain DSRA in the form of fixed deposit (FD) equivalent to one quarter of interest and principal repayment obligation throughout the tenure of loan. DRES has maintained DSRA equivalent to one quarter debt servicing in the form of FD of ₹2.39 crore and has cash and cash equivalent of ₹4.02 crore as on March 31, 2025.

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

DRES is a SPV incorporated on October 06, 2015 by the Emmvee group. It has set up a 15-MWp Solar PV ground-mounted project in Medak District and Rangareddy District, Telangana, under group captive model. Emmvee Photovoltaic Power Private Limited (the ultimate holding company), through ES Green Power Private Limited (ESGPPL) was holding 74% stake in DRES. The remaining 26% is held by DRL. In August 2022, OESPL acquired the entire stake of ESGPPL in DRES (74%) thus making DRES its subsidiary. The 8-MW capacity was commission in March 2017, while remaining 7-MW capacity was commissioned in December 2017.

Brief Financials (₹ crore)	FY24 (A)	FY25 (P)
Total operating income	12.27	13.75
PBILDT	9.56	10.94
PAT	-0.12	3.97
Overall gearing (times)	3.58	2.87
Interest coverage (times)	1.51	1.79

A: Audited; P:Provisional; 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		-	-	March 2038	68.24	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	68.24	CARE A+; Stable	-	1)CARE A-(RWP) (07-Jan-25) 2)CARE A-; Stable (02-Jan-25)	1)CARE A-; Stable (08-Jan-24)	1)CARE A-; Stable (28-Dec-22)

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: 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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