O2 Renewable Energy III Private Limited

July 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	304.00	CARE A; Stable	Upgraded from CARE BBB+ 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 III Private Limited (O2REIIIPL) and has simultaneously removed the existing rating watch. The upgrade in the rating factors in the improvement in the credit profile of the ultimate parent and enhanced clarity regarding the support philosophy of JSW Energy Limited (JSWEL) 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 consider the continuation of corporate guarantee from O2 Power SG Pte Ltd for 3.5 years from commercial operations date (COD) till achievement of plant load factor (PLF) as stipulated in the lenders base case business plan and net realisable tariff in trailing 12 months.

The rating continues to factor in the advanced stage of completion of the 51.3-MW wind power project of the company with erection of all 19 wind turbine generators (WTGs), erection of transmission towers and readiness of pooling and Central Transmission Utility substation CTU substation. The company has drawn 94% of the sanctioned debt of ₹304 crore as on June 15, 2025. The company has received an scheduled COD (SCOD) extension from lender up to December 31, 2024, with further extensions under process. The rating also factors in the signing of long-term power purchase agreement (PPA) for 9-MW capacity with Jubilant Infrastructure Ltd. (JIL) at a fixed tariff of ₹4.13/kWh at a contracted capacity utilisation factor (CUF) of 70%. The PPA requirement of JIL shall be met from 13.5 MW wind capacity being setup and 9.375 MW new solar capacity to be setup in the company. Signing of PPA with JIL mitigates off-take risk to some extent. The presence of two quarter debt service reserve account (DSRA) per sanction is also a positive.

However, the rating is constrained by execution risk associated with under-construction wind and solar capacity of the company. The company is exposed to off-take and price risk for 37.8-MW wind power capacity for which power is proposed to be sold via merchant route. The company's ability to commission the project within timeline and demonstrate generate in line with P90 PLF estimates shall be a key rating monitorable. Realisation of tariff for merchant capacity per lender base case shall also be critical. The rating also factors in leveraged capital structure of the company considering high capital expenditure, which is funded by mix of debt and equity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Tying up of entire capacity under long-term PPA with a strong counterparty at a remunerative tariff.
- Faster-than-envisaged deleveraging of the asset due to strong generation on a sustained basis leading to significant improvement in coverage and/or faster than deleveraging of the asset.

Negative factors

- Actual generation significantly lower than P-90 generation estimates and/or weak average sales realisation leading to weakened coverage metrics on a sustained basis.
- Weakening of the credit profile of ultimate parent company, JSWEL or adverse change in linkages/support philosophy between JSWEL and O2REIIIPL.
- Inordinate delay in commissioning the project leading to significant cost over-runs or significant debt addition leading to materially higher leverage and weaker coverage indicators.

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

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[1]Complete 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 is considering the company's expectation to commission without significant cost and/or time overrun, generation in line with P90 PLF estimates, tariff realisation for merchant capacity in line with base case estimates and timely payment from off-takers.

Detailed description of key rating drivers:

Key strengths

Strong parentage of JSWEL
O2REIIIPL 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.

Contractual comfort exists in the project loan
Corporate Guarantee from O2 Power SG Pte Ltd for 3.5 years from COD and till achievement of base case PLF and net realisation tariff per lenders base case for trailing 12-month period is a positive. Moreover, presence of sponsor undertaking for debt resizing in case plant load factor (PLF) is not met for a continuous 12 months within 24 months of commercial operations date (COD) or net realisable tariff lower than base case or off-take of entire capacity is not achieved or shortfall in debt servicing / DSRA in the loan tenor supports the rating.

Long-term revenue visibility owing to long-term PPA for part capacity
The company has secured a long-term PPA for 25 years from COD with Jubilant Infrastructure Ltd. (JIL) for the sale of 9-MW of power at a tariff of ₹4.13/kWh at a contracted CUF of 70%. To meet the CUF requirement, the company will allocate 13.5 MW from its 51.3-MW wind capacity and setting up 9.375 MW of solar capacity. Presence of long-term PPA leads to revenue visibility.

Moderate coverage metrics with stipulation of two quarter debt service reserve requirement
Special purpose vehicle (SPV) is required to make DSRA equivalent to two quarters of debt and interest obligation as stipulated by the lender, which is being maintained as on date. Coverage indicators of the project are expected to be moderate with average DSCR projected above 1.15x per CareEdge Ratings base case. The estimates do not factor in additional solar capacity being setup in the company.

Key weaknesses

Part capacity exposed to merchant risk
The company is exposed to merchant risk for 37.8-MW wind power capacity owing to lack of long-term PPA. The uncontracted portion remains vulnerable to demand and tariff risk which may impact cash flow. The company's ability to achieve merchant realisation in line with lender base case shall be a key rating monitorable.

Project execution risk and stabilisation risk
The company is exposed to execution risk associated with under-construction capacity. The risk is mitigated to some extent by advanced stage of implementation of 51.3 MW wind power project with erection of all 19 WTGs, erection of transmission towers and readiness of pooling and CTU substation. The company is also setting up 9.375-MW solar power project to meet the requirements of JIL PPA. The company's ability to commission entire capacity without major cost and/or time overrun shall be a key rating monitorable. Moreover, the company's ability to demonstrate generation in line with P90 PLF estimates shall be critical since revenue is linked to actual generation.

Leveraged capital structure given debt-funded nature of capex and exposure to interest rate fluctuations risk
The total cost of the project is ~₹416 crore, which is to be funded in the debt equity ratio of 73:27. The capital structure of the company is expected to be leveraged considering debt-funded capex incurred for setting up the project. Per CareEdge Ratings'

base case, total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) is expected to remain above 6x for FY26 and FY27. Profitability remains exposed to increase in interest rates, given the floating interest rates for the term loan availed by the entity.

Vulnerability of cash flows to variation in weather conditions
As tariffs are one part in nature, the company may 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 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 company has cash and cash equivalent of ₹41.95 crore (including two quarter DSRA of ₹18.65 crore) as on March 31, 2025. The project is under construction and repayment will start post 12 months of moratorium period from achieving COD.

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
Solar Power Projects

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

O2REIIIPL is a SPV incorporated on December 08, 2021. The company is a 100% wholly owned subsidiary of M/s TEQ Green Power XI Private Limited under O2 Power platform ultimate owned by JSWEL. The company is setting up a 51.30 MW Wind Power project in Beed, Maharashtra under O2REIIIPL. Further, company has entered long-term PPA for the part capacity of 9 MW with Jubilant Infrastructure Ltd at a tariff of ₹4.13/kWh and a contracted CUF of 70% which shall be met from 13.5 MW out of 51.3 MW wind power project and 9.375 MW of new solar capacity. Remaining 37.8 MW wind capacity shall be sold via merchant route.

Brief Financials: Not applicable, as it is a project stage entity.

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 2045	304.00	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	304.00	CARE A; Stable	-	1)CARE BBB+ (RWP) (07-Jan-25) 2)CARE BBB+; Stable (25-Jul-24)	-	-

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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