O2 Renewable Energy XXIII Private Limited

July 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	62.71	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 XXIII Private Limited (O2-23) 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 consider the presence of sponsor support undertaking from JSW Neo Energy Limited (JSNEL) towards support for shortfall in debt servicing.

The rating continues to factor in the presence of a medium-term (15 years) power purchase agreement (PPA) for 16.9 MWAC (22.8 MWDC) solar power project of the company at a fixed tariff of ₹3.10 per unit with Ashirvad Pipes Private Limited (APPL) under the group captive mechanism, where, APPL is the sole off-taker of the project. Moreover, presence of enabling clauses such as lock-in period 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 coverage metrics are expected to be moderately comfortable as reflected by average debt service coverage ratio (DSCR) being upwards of 1.2x for the tenor of the debt. The rating considers the presence of one quarter debt service reserve account (DSRA) as stipulated by the lender. The project has been commissioned on November 13, 2024, mitigating execution risk typically associated with under-construction projects.

Nevertheless, the rating is constrained considering limited operational track record and subdued generation performance considering project stabilisation phase. The rating is constrained due to the leveraged capital structure considering debt-funded capex incurred for setting up the project with projected total/earnings before interest, taxation, depreciation, and amortisation (EBITDA) above 6x in the next two years. Moreover, the company remains exposed to interest rate fluctuation risk given the floating interest rate on the outstanding debt and tariff being fixed for tenor of PPA. CareEdge Ratings also factors in exposure of project cash flows to adverse variations in weather conditions given the single part tariff for the project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Generation in line with P90 plant load factor (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 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 O2-23.
- 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, 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

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

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

O2-23 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.

Medium-term PPA with Ashirvad Pipes Private Limited provides revenue visibility

The company has low off-take risks owing to the presence of medium-term (15 years) PPA from COD with APPL at a fixed tariff of ₹3.10 per unit. The presence of medium-term PPA with a credible counterparty provides revenue visibility for the company. Presence of enabling clauses such as lock-in period, adequate compensation to the developer in case of an early exit by the customer act as necessary safeguards.

CareEdge Ratings notes that the project is set up under Group Captive mode, where, APPL is the sole off-taker of the project and therefore, ~40% of the total promoter contribution and entire off-take of power generated from plant is by APPL.

Moderately comfortable debt coverage metrics

The coverage metrics of the project are moderately comfortable as reflected by average DSCR being upwards of 1.2x for the tenor of the rated facilities. The entity is also maintaining one quarter DSRA per the sanctioned terms.

Key weaknesses

Limited operational track record and subdued generation and collection performance

The project achieved commissioning in November 2024 and thus, has a limited track record of operations and subdued generation performance on account of project stabilisation. Nevertheless, going forward, CareEdge Ratings expects generation performance to improve and remain in line with the P90 PLF estimates and collection from the off-taker to streamline and be timely. The cash and liquidity of ~₹5.0 crore as on March 31, 2025, is expected to support the liquidity profile of the company.

Leveraged capital structure and exposure to adverse variation in interest rates

The capital structure of the company is leveraged considering debt-funded capex incurred for setting up the project. The project is funded through a debt equity mix of 69% and 31%, respectively. Going forward, CareEdge Ratings expects total debt/EBITDA to remain rangebound ~6.5x over next two years (FY26 - FY27). Given the leveraged capital structure, single part nature of the fixed tariff in the PPA and floating interest rates, its profitability remain exposed to increase in interest rates.

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 liquidity of the company is adequate as reflected by cash and liquidity of ₹5 crore as of March 2025 end. Apart from this, the company is also maintaining DSRA, amounting to ₹1.76 crore, equivalent to one quarter of debt servicing obligations.
Going forward, per CareEdge Ratings' base case scenario, gross cash accruals (GCA) is expected to be rangebound within ₹3.4 crore and ₹3.5 crore against annual repayments of ₹1.7 crore and ₹1.9 crore over the course of 2026-2027.

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

O2-23 was incorporated on August 18, 2023 for setting up a 16.9 MWAC (22.8 MWDC) solar power project in Karnataka under group captive mode. The company has signed a 15 year medium-term PPA with APPL at a fixed tariff of ₹3.10 per unit for the entire capacity. The plant achieved commissioning in November 2024 and thus, has a limited operational track record.

Brief Financials (₹ crore)	FY25 (A)
Total operating income	3.03
PBILDT	1.73
PAT	-2.13
Overall gearing (times)	1.82
Interest coverage (times)	0.51

A: Audited; NM: Not meaningful; 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 2042	62.71	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	62.71	CARE A; Stable	1)CARE A- (RWP) (16-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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