

## O2 Renewable Energy IX Private Limited

July 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	360.00	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

CareEdge Ratings has upgraded the long-term rating of O2 Renewable Energy IX Private Limited (O2REIX) 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 along with 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 take into account the continuation of a sponsor support undertaking that mandates resizing of debt in case of PLF is below P90 PLF estimates in two out of three years post COD.

The rating derives strength from O2REIX's long-term power purchase agreement (PPA) with a strong off-taker, Dr. Reddy's Laboratories Limited (DRL) for 25 years from COD at a tariff of ₹3.95/ unit leading to revenue visibility. The contract is for a power supply of 21.4 MW on round-the-clock basis (RTC). DRL has a strong credit profile which mitigates counter-party credit risk and payments from DRL are largely expected to be timely. The company is setting up hybrid wind/ solar project for meeting the RTC requirement of DRL under group captive mode with DRL holding 26% equity stake and procuring entire output to meet the group captive norms. The project is under advanced stages of construction and is expected to be commissioned by the end of July 2025.

While the project is in advanced stage of construction, the rating is constrained by execution risk till COD is achieved by Scheduled COD without cost and/or time overrun. The company's ability to demonstrate generation track record aligned with P90 PLF estimates post COD shall also be a key rating monitorable. Since the company is setting up higher capacity to meet the RTC requirement of DRL, the company is also exposed to price and demand risk as the surplus generation which is equivalent to 20% of the total estimated generation is expected to be sold through merchant route. The rating is further constrained by the company's leveraged capital structure as reflected by projected total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) above 6x in the near term which is expected to reduce over time. The rating is also sensitive to the interest rate fluctuation risk given the project's floating interest rate for the debt and tariff being fixed for the tenor of PPA. The rating continues to be exposed to climate risk since the revenue is linked to actual generation.

### 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 debt service coverage ratio (DSCR) of 1.30x on a sustained basis.
- Faster than expected deleveraging of the asset.

#### Negative factors

- Lower-than-envisaged generation or increase in borrowing cost or higher expenses significantly impacting the coverage indicators with DSCR below 1.15x on a sustained basis.
- Elongated receivables days on a sustained basis with payments delayed beyond 90 days adversely impacting O2REIX's liquidity.
- Weakening of the credit profile of the ultimate parent, JSWEL, or change in linkages/support philosophy between JSWEL and O2REIX.

**Analytical approach:** Standalone plus factoring in support from the ultimate parent i.e. JSWEL

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

**Outlook: Stable**

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectation for the company's commissioning of the capacity along with stabilization of the project. The outlook is supported by satisfactory revenue visibility, given the presence of a long-term PPA and anticipated timely receipt from its off-taker, DRL.

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

O2REIX 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 approximately 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**

O2REIX has entered into long-term PPA with Dr. Reddy's Laboratories Limited for power supply from 21.4 MW RTC project at a fixed tariff of ₹3.95/ kwh for 25 years from COD. This provides long-term revenue visibility to O2REIX. The company will set up 22.6 MW AC solar (30.51 MW DC) and 40.5 MW wind power project for meeting the RTC requirement.

The project is being set up under the group captive mode with DRL owing 26% stake in the company and procuring entire generation. The PPA assures minimum savings of ₹0.5 per unit on landed basis (PPA tariff including open access charges) against grid tariff applicable to DRL.

**Strong credit profile of off-taker**

DRL's credit profile is significantly strengthened by its diverse product range and geographical presence, and manageable leverage and strong debt coverage metrics, thus mitigating the associated counterparty risk. The payment from DRL is expected to be timely post COD of the project.

**Moderate coverage metrics**

Coverage metrics for O2REIX are expected to be comfortable with DSCR above 1.2x for the projected period. The lender has allowed a moratorium of 9 months with repayment starting from March 2026 which allows the project to stabilise in terms of generation.

**Advanced stage of construction mitigates execution risk to large extent**

The project is expected to be commissioned by the end of July 2025. The project has achieved satisfactory physical and financial progress. The company has achieved financial progress of 78% in the project as on April 2025 end.

In case the COD is delayed for factors attributable to O2REIX, the charges shall be applicable to the project and may impact the debt coverage indicators. Hence, COD of the project on timely basis without material cost overrun shall be a key rating monitorable.

**Key weaknesses****Project stabilisation risk**

The project is under advanced stage of completion and expected to achieve COD by the end of July 2025. The company's ability to demonstrate satisfactory generation track record post COD aligned with P90 PLF estimates shall be a key monitorable.

**Regulatory risk associated with group captive projects and RTC PPA**

The RTC project is being developed under a group captive model, with open access charges and losses passed through to the off-taker, DRL. Unfavorable changes in open access regulations could lead to an increase in the landed tariff for DRL, reducing the savings outlined in the PPA.

The minimum savings per PPA is ₹0.5 per unit against actual saving above ₹2.5 per unit as on date. Hence, the project is exposed to regulatory risk.

### Leveraged capital structure with interest rate risk

The company's capital structure is leveraged due to the debt-funded capex incurred for setting up the project. Given the leveraged capital structure and single-part fixed tariff in the PPA, profitability remains exposed to increase in the interest rates, given the floating interest rates for the term loan availed by the entity. The TD/EBITDA is expected to remain above six times in the near term.

### Merchant risk associated with generation more than tied up capacity

The company is setting up higher capacity of solar and wind capacity to meet the RTC requirement of DRL. Hence, ~20% generation is expected to be sold through merchant route exposing the project to volume and price risk.

### Exposure of the project towards climatic conditions and wind patterns

Wind projects are exposed to the inherent risk of weather fluctuations, leading to variations in the wind patterns, which affects the plant load factor (PLF). Solar power projects are exposed to variation in solar irradiance, dust and other factors. The revenue of the project is linked to actual generation and decline in generation may impact the debt coverage indicators.

### Liquidity: Adequate

Liquidity position of O2REIX is adequate with cash and cash equivalent of ₹15.03 crore as on March 31, 2025. Repayment of term loan starts from Q4FY26. The company will have sufficient time for project to stabilise and build up sufficient liquidity for debt servicing.

### 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](#)

[Project Stage Entities](#)

[Wind Power Projects](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

O2 Renewable Energy IX Private Limited is a special purpose vehicle incorporated on September 20, 2022, as a joint venture between TEQ Green Power XI Private Limited (100% subsidiary of O2 Power SG Private Limited) and Dr. Reddy's Laboratories Limited. The company has signed PPA for supplying 21.4 MW RTC power under the group captive structure at a tariff of ₹3.95/unit for period of 25 years from COD. The company is setting up 22.6 MW AC solar and 40.5 MW wind power project for meeting 21.4 MW RTC project.

**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 2046	360.00	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	360.00	CARE A; Stable	-	1)CARE A-(RWP) (19-Mar-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 the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE 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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