O2 Renewable Energy XVIII Private Limited

September 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	95.00	CARE A-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of O2 Renewable Energy XVIII Private Limited (O2RE18), which is setting up a wind-solar hybrid project for supplying 6.41 MW round the clock (RTC) power to Jubilant Ingrevia Limited (JIL) factors in the strong parentage by virtue of O2RE18 being a subsidiary of JSW Energy Limited (JSWEL). JSWEL's credit profile is bolstered by its extensive scale of operations and a well-diversified business portfolio, encompassing thermal, hydro, and renewable power generation, as well as power transmission and trading. CARE Ratings Limited (CareEdge Ratings) also takes into account the sponsor support undertaking from O2 Power SG Pte Ltd (step down subsidiary of JSWEL) that mandates promoter infusion in case of a cost overrun and resizing of debt in case O2RE18 is unable to achieve P90 PLF in two out of three years of operations.

The rating derives strength from O2RE18's long-term power purchase agreement (PPA) with JIL for 25 years from COD at a tariff of ₹3.63/ unit leading to revenue visibility. The contract is for a power supply of 6.41 MW on RTC basis. The company is setting up 6.25 MW AC solar capacity and 10.80 MW wind capacity for meeting the RTC requirement. The project is being setup under the group captive mode with JIL holding minimum 26% equity stake and procuring entire output. JIL has a strong credit profile which mitigates counterparty credit risk and payments from JIL are expected to be timely.

The rating is however constrained on account of execution risk associated with the project. The SCOD of the project as per the PPA is April 2025 and the company has requested for an extension of SCOD till December 2025. The ability of the company to achieve COD within envisaged timelines without major cost and/or time overrun shall be a key rating monitorable. The company's ability to demonstrate generation track record in line with P90 PLF estimates post COD shall be critical, since revenue is linked to actual generation. Since the company is setting up higher capacity to meet the RTC requirement of JIL, the company is also exposed to price and demand risk as the surplus generation which is equivalent to ~14% of the total estimated generation is expected to be sold through the merchant route. CareEdge Ratings in its base case has assumed a merchant tariff of ~Rs. 3 per unit given higher wind composition for the project. The ability of the company to realise such tariff, would be critical from a credit perspective. 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 over the medium term. Also, as per sanction, the ISTS transmission charges applicable post June 30, 2025 are to be borne by the company restricting its profitability. 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.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Achievement of SCOD without material cost and/or time overrun.
- Generation in line with P90 PLF estimates and timely payments from the counterparty on a sustained basis resulting in average debt service coverage ratio (DSCR) above 1.25x
- Faster than expected deleveraging of the asset

Negative factors

- Any Material time or cost overrun leading to significant delay in commissioning of the project, adversely impacting project's returns
- Lower-than-envisaged generation or increase in borrowing cost or higher expenses significantly impacting the coverage indicators with average DSCR below 1.15x on a sustained basis.
- Elongated receivables days on a sustained basis with payments delayed beyond 90 days adversely impacting O2RE18's liquidity.
- Weakening of the credit profile of the ultimate parent, JSWEL, or change in linkages/support philosophy between JSWEL and O2RE18.

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

Analytical approach: Standalone plus factoring in support with the ultimate parent i.e. JSWEL. CareEdge Ratings has notched up ratings, factoring operational, financial, and managerial support extended by the promoter JSWEL.

Outlook: Stable

The 'Stable' outlook reflects CareEdge Ratings' expectation for the company's commissioning of the capacity by December 2025 without major cost overrun and generation in line with P90 PLF estimates post COD. The outlook is supported by the presence of a long-term PPA and anticipated timely receipt from its off-taker, JIL.

Detailed description of key rating drivers:

Key strengths

Strong parentage of JSWEL
O2RE18 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 on August 2025, it had an operational generation capacity of 13.02 GW (including 1.8 GW from O2 power acquisition), comprising thermal (44%), hydro (11%), and renewable energy (45%). 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
O2RE18 entered long-term PPA with JIL for power supply from 6.41 MW RTC project at a fixed tariff of ₹3.63/ kwh for 25 years from COD. This provides long-term revenue visibility to O2RE18. The company will set up 6.25 MW AC solar and 10.8 MW wind power project for meeting the RTC requirement. The project is being set up under the group captive mode with JIL infusing ~30% of the total equity (including CCDs) in the company as on March 31, 2025, and procuring entire generation. The PPA assures minimum savings of ₹0.25 per unit on landed basis (PPA tariff including open access charges) against grid tariff applicable to JIL.

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

Key weaknesses

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 coverage metrics for O2RE18 are projected to remain moderate over the next few years period, with TD/EBITDA above six times and DSCR expected to stay above 1.15x in loan tenor. The loan agreement has stipulated DSRA for one quarter of debt servicing for solar and two quarter of debt servicing for wind which supports the company's credit profile. Presence of DSRA for one quarter of debt servicing as on date supports the liquidity profile of the company.

Project stabilisation risk
The project is in advanced stage of completion and expected to achieve COD by the end of December 2025. The company's ability to commission project without major cost and/or time overrun and 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, JIL. Unfavourable changes in open access regulations could lead to an increase in the landed tariff for JIL, reducing the savings outlined in the PPA. The minimum savings per PPA is ₹0.25 per unit against actual saving above ~₹2 per unit as on date. Hence, the project is exposed to regulatory risk.

Merchant risk associated with generation over tied up capacity

The company is setting up higher capacity of solar and wind capacity to meet the RTC requirement of JIL. Hence, ~14% 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 wind patterns, which affects the plant load factor (PLF). Solar power projects are exposed to variation in solar irradiance, dust and other factors. The project's revenue is linked to actual generation and decline in generation may impact the debt coverage indicators.

Liquidity: Adequate

Liquidity position of O2RE18 is adequate with cash and cash equivalent of ₹15.7 crore as on August 21, 2025. Of the total debt of ₹95 crore, ₹90.25 crore has been disbursed, while the promoters have infused equity of ₹32.67 crore aligned with equity requirement per sanction into the company.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Notching by Factoring Linkages in Ratings
Rating Outlook and Rating Watch
Financial Ratios – Non-financial Sector
Infrastructure Sector Ratings
Power Generation Projects
Solar Power Projects
Wind Power Projects

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

O2RE18 is a special purpose vehicle (SPV) incorporated on February 21, 2024, as a joint venture (JV) between TEQ Green Power XI Private Limited and JIL. The company has signed a PPA with JIL for supplying power under the group captive structure from 6.25 MW AC solar energy and 10.8 MW wind energy project in Washi, Maharashtra, for meeting 6.41 MW RTC capacity, at a fixed tariff of ₹3.63/unit for period of 25 years from COD.

Brief Financials : Not applicable since 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Term Loan-Long Term		-	-	March 2046	95.00	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	Term Loan-Long Term	LT	95.00	CARE A-; Stable				

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	Term Loan-Long Term	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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About us:
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