

O2 RENEWABLE ENERGY V PRIVATE LIMITED

September 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	112.00	CARE A; Stable	Assigned
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has withdrawn its previously outstanding rating and simultaneously assigned the long-term rating to bank facilities of O2 Renewable Energy V Private Limited (O2REV), which is operating a 17.6 MW wind power project in Karnataka. The rating action is considering refinancing of the previously outstanding term loan. CareEdge Ratings has withdrawn the rating based on the receipt of No Dues Certificate (NDC) from the erstwhile lender.

The rating assignment factors in the strong parentage of O2REV, which is a part of the JSW Energy Limited (JSWEL) group. 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, and power transmission and trading. CareEdge Ratings also considers sponsor support undertaking from O2 Power SG Pte Ltd (O2PSPL, step down subsidiary of JSWEL) that mandates infusion of funds in case of shortfall in project cash flows for debt servicing considering non-renewal of PPA or net weighted average realised tariff being lower than lender's base case. As articulated by the JSWEL's management, the O2 Power's assets are strategic and support requirement if any, shall be forthcoming.

The rating favourably factors in the presence of a long term 25-year power purchase agreement (PPA) with J.K. Cement Limited (JKCL, rated CARE AA+; Stable/ CARE A1+) for the off-take of 6.6 MW (of the total wind capacity of 17.6 MW) at a fixed tariff of ₹3.71/kWh in Karnataka under the group captive mechanism. The remaining 11 MW capacity was tied up with Dalmia Cement Bharat Limited (DCBL, rated CARE AA+; Stable) till August 2025, and as articulated by the management, this is expected to be extended further. The 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. In CareEdge Ratings' base case scenario, the debt-protection metrics are expected to be comfortable as reflected by average debt-service coverage ratio (DSCR) being ~1.2x for the debt tenor. The rating also considers the presence of two quarter DSRA reserve which provides comfort from a credit perspective.

O2REV's rating strengths are partially offset by its leveraged capital structure due to large debt funded capex incurred for setting up the project. In CareEdge Ratings' base case assessment, the capital structure is expected to remain leveraged with total debt to earnings before interest, taxation, depreciation, and amortisation (EBITDA) remaining above 6.5x over the next few years. The rating is also constrained by limited operational track record as the project achieved commercial operations date (COD) in May 2023. The company's ability to demonstrate generation aligned with P90 plant load factor (PLF) estimates remain critical as revenue is linked to actual generation and shall remain a key rating monitorable. The project cash flows are exposed to risks associated with renewal of PPA. However, the contract renewal risks are partially mitigated due to the competitive tariff which is at a significant discount to the state grid tariff rates. The cash flows are sensitive to interest rate fluctuation risk given the floating interest rate for the debt and tariff being fixed for tenor of PPA. However, the interest rate reset is due after every three years, which mitigates interest rate risk to some extent. CareEdge Ratings also factors in exposure of project cash flows to adverse variations in weather conditions given the single part tariff for the project and asset concentration risk given the full capacity is in a single state.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Higher than P-90 levels of generation on a sustained basis resulting in significant improvement in coverage and leverage.
- Faster-than-expected deleveraging of the asset.

Negative factors

- Significant underperformance in generation and/or increase in debt levels weakening the cumulative DSCR on project debt to less than 1.15x on a sustained basis.
- Non-adherence to the power purchase agreement (PPA) terms by the off-takers including timely receipt of payments and honouring of tariff for full PPA tenor.
- Weakening of the credit profile of the ultimate parent, JSWEL, or change in linkages/support philosophy between JSWEL and O2REV.

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

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

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

Outlook: Stable

Stable outlook reflects CareEdge Ratings' opinion that the company will be able to demonstrate satisfactory operational performance aligned with P90 PLF estimates and payments from the off-taker shall be timely with past trends. The outlook is supported by the presence of long term PPA for partial capacity.

Detailed description of key rating drivers

Key rating strengths

Strong parentage of JSWEL

O2REV 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 power generation and transmission sectors. As of 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 PPA with JKCL provides long-term revenue visibility for partial capacity

O2REV has low off-take risks owing to the presence of long-term (25-years) PPA for the off-take of 6.6 MW wind capacity with JKCL at a tariff of ₹3.71/kWh till the expiry of PPA. Long-term PPA with credible counterparty provides revenue visibility for the company for the partial contracted capacity. 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. The PPA for remaining 11 MW wind capacity was signed with DCBL which was valid till August 2025. Per management's articulation, the company expects to either renew the PPA with DCBL or tie up the capacity with new off-taker or sell the power through merchant route. The company's ability to enter a long-term off-take arrangement for its 11 MW capacity would be a key credit monitorable going forward. Payments from off-takers has been timely since COD.

Satisfactory operational performance

The company's operational track record has been satisfactory since COD in May 2023, as evident from PLF of 35.02% in FY24 and 32.03% in FY25 against P90 PLF of 34.3%. The lower PLF in FY25 was considering lower wind speed while machine and grid availability remained above 98%. The company's ability to demonstrate generation aligned with P90 PLF estimates shall be a key rating monitorable since revenue is linked to actual generation.

Comfortable debt coverage indicators

The door-to-door tenor of the term loan is elongated, and the debt coverage indicators are projected to be moderately comfortable with average DSCR ~1.2x. The company has created DSRA equivalent to two quarter of debt servicing amounting to ₹7.58 crore, aligned with the sanction terms which supports the liquidity profile.

Key rating weaknesses

Leveraged capital structure and exposure to interest rate risk

The company's capital structure is leveraged due to large debt funded capex incurred for setting up the project, as reflected in the debt equity mix of 71:29 in the project cost. TD/EBITDA expected to remain above 6.5x over the next few years. Given the leveraged capital structure and single-part tariff, O2REV's profitability remains exposed to adverse movement in interest rates which are floating.

Offtake risk given short-term PPA for 11 MW of capacity

The project is exposed to off-take risk given short-term PPA for partial capacity with DCBL which was valid till August 31, 2025. Per management's articulation, the company expects to renew the PPA with DCBL for long term. Till signing of long term PPA, the project cash flows will be exposed to fluctuations in prices prevailing in the merchant market, which could have a bearing on its revenue and profitability. However, the contract renewal risks are partially mitigated due to the competitive tariff which is at a significant discount to the state grid tariff rates.

Vulnerability of cash flows to variation in weather conditions

Project cash flows are exposed to adverse variations in weather conditions given the project's single part tariff. As tariffs are one part in nature, the company may book lesser revenues in case of non-generation of power due to variation in weather conditions

and/or equipment quality. This would affect its cash flows and debt servicing ability. The geographical concentration of asset amplifies the generation risk.

Liquidity: Adequate

As on June 30, 2025, the company had free cash and bank balance of ~₹23.33 crore. The company is also maintaining a DSRA of ₹7.58 crore in the form of FD as on June 30, 2025, which is equivalent to two quarters of debt servicing obligations aligned with the sanctioned terms.

Applicable Criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non-financial Sector](#)

[Infrastructure Sector Ratings](#)

[Wind Power Projects](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

O2REV is a special purpose vehicle (SPV) incorporated on May 25, 2022, by O2 Power SG Pte. Ltd. and is operating a 17.6 MW wind power plant in Karnataka under the C&I captive model. O2PSPL holds the stake in O2REV through its subsidiary, O2 Energy SG Pte Limited. The project was commissioned in May 2023.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	26.1	20.3
PBILDT	22.1	15.3
PAT	5.0	0.8
Overall gearing (times)	2.1	1.6
Interest coverage (times)	2.2	1.3

A: Audited UA: Unaudited; Note: these are latest available financial results

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		-	-	NA	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	June 2045	112.00	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	-	-	1)CARE A; Stable (24-Jul-25)	1)CARE A-(RWP) (07-Jan-25)	1)CARE A-; Stable (30-Nov-23)	-
2	Fund-based - LT-Term Loan	LT	112.00	CARE A; Stable				

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.

Contact us

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