Renew Solar Power Private Limited
May 05, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities – Term Loan	973.26	CARE A; Stable (Single A; Outlook: Stable)	Assigned
Total facilities	973.26 (Rs. Nine hundred seventy three crore and twenty six lakh only)		

Details of instruments/facilities in Annexure-1

Key Rating Drivers of Renew Solar Power Private Limited

The rating assigned to bank facilities of RSPPL derives strength from experienced & strong promoter viz. Renew Power Private Limited (RPPL, rated CARE A+; Stable, CARE A1+) that is backed by strong investors with majority shareholding with Goldman Sachs, established track record of the group in the renewable energy sector being one of the largest player in India, presence of long-term power purchase agreements (PPAs) for operational capacity of RSPPL under various subsidiaries aggregating to 2.1 GW, diversified operational portfolio and satisfactory operational track record. The rating also takes into account long term off-take arrangement through Power Purchase Agreement (PPA) with Maharashtra State Electricity Distribution Company Limited (MSEDCL) at a fixed tariff for entire tenure for 250 MW project set-up at RSPPL standalone level and the successful commissioning of the project.

The rating is, however, constrained by increased counterparty credit risks with around 60% of operational capacity of RSPPL consolidated tied-up under long-term PPAs with various state utilities having relatively weak financial profile, large expansion plans to increase the installed power capacity leading to sizeable capital requirement as well as exposure to inherent project implementation and stabilization risks, although partly mitigated by satisfactory track record of raising funds by the ultimate promoter viz. RPPL, refinancing risks arising out of bank facilities and NCDs raised at RSPPL and SPV levels, short-to-medium track-record of operations of a significant portion of the operational capacity, regulatory and policy risk, interest rate fluctuation risk, dependence on climatic conditions for power generation. Also, strengths are tempered by stabilization risks as the 250 MW project is recently commissioned, limited operational track record of around 5 months and counter party credit risk on account of moderate financial profile of the offtaker viz. MSEDCL.

Additionally, payment patterns from majority of the state discoms is expected to be uncertain and erratic given current disruption in Indian power sector due to COVID-19 pandemic related national level lock down significantly impacting the power demand across India. Though the renewable energy projects enjoy a 'must-run' status, timely receipt of payments would be crucial from cash flows perspective.

Key Rating Sensitivities
Positive sensitivities:

- Achievement of generation at better than P-90 levels for operational portfolio on sustainable basis
- Sustained improvement in operating cash flows of the company at both consolidated and standalone level with timely commissioning of under construction projects
- Improvement in financial risk profile including reduction in leverage levels and improvement in Debt/PBILDT and Debt/GCA

---

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Negative Sensitivities:

- Significantly lower than envisaged CUF/PLF levels for various operational projects on consolidated level leading to deterioration in debt coverage indicators
- Delays in execution of various under implementation projects leading to any material adverse impact on financials of the company due to invocation of PBGs or reduction in tariffs
- Inability or delay in fund raising for meeting requirements of under-implementation projects
- Any regulatory changes in the renewable energy sector leading to negative impact on cash flows of the group

Detailed description of the key rating drivers
Key Rating Strengths

Experienced and resourceful promoters:
RSPPL is a subsidiary of RPPL, one of the leading players in the renewable power sector in India which was founded by Mr. Sumant Sinha in 2011 with single largest equity stake held by Goldman Sachs group along with other key investors such as Canada Pension Plan Investment Board (CPPIB), Abu Dhabi Investment Authority (ADIA), Jera Power and South Asia Clean Energy Fund (SACEF). The Goldman Sachs group, through its investment arm, GS Wyvern Holdings Limited (GSH), has been making significant equity investment in RPPL since FY12 and is the majority shareholder. Subsequently, other investors, SACEF, ADIA (through its arm Green Rock A 2014 Ltd), JERA and CPPIB have made significant investment and also GSH has participated in further rounds of equity fund raising by the company. Recently, in June 2019, RPPL raised fresh equity of USD 300 million (~Rs.2100 crore) through rights issue with three of the existing investors participating. The company has expanded its capacity significantly to become one of the largest renewable energy company in India. As on January 2020, RPPL has operational capacity of 5.33 GW (61% - Wind, 39% - Solar), majority of which have tied-up long-term PPAs. In addition, Renew has about 2.60 GW of power projects under implementation or in planning stage.

One of the largest players in the solar power segment in India with diversified portfolio: As on January 2020, RSPPL has operational capacity of around 2.1 GW (consolidated basis) all of which have tied up under PPA ranging from 10 years to 25 years. Out of 2.1 GW operational capacity around 320 MW capacity is put-up directly under RSPPL (250 MW – MSEDCL, 50 MW – NVVN and 20 MW – Karnataka State discom). In addition, the company has around 1.5 GW of power projects under implementation or in various stages of planning (consolidated basis). Post commissioning of currently under implementation capacity of 1.5 GW, RSPPL will have an operational capacity of around 3.60 GW at consolidated levels. Also, in terms of location of the operational projects, the company is diversified with presence in 7 states across India. Also, the company is providing power to a diversified set of off-takers including various state discoms having moderate to weak financial risk profile, though the risk is mitigated to an extent from diversification with no single off-taker having more than 25% share in operational capacity as on January 2020. Further, post commissioning of the entire 1.5 GW pipeline, exposure towards state PPAs is expected to decrease as under construction projects largely have SECI as counterparty which has a relatively strong financial risk profile.

Successful track record of commissioning and operating solar projects in India: Despite a rapid scale up of capacity, the company has been able to complete majority of the projects in a timely manner. Although a significant portion of the capacity has short to medium track record of operations, the operational track record has largely been satisfactory, so far.

Successful commissioning of entire 250 MW capacity at standalone level having long-term PPA at a fixed tariff:
The 250 MW (AC) capacity directly under RSPPL was successfully commissioned on October 27, 2019. With commissioning of entire capacity, execution risk is mitigated. RSPPL also has another 70 MW of operational solar capacity set-up directly under RSPPL (aggregate capacity of 320 MW set-up directly under RSPPL).

RSPPL has executed PPA with MSEDCL for 250 MW directly under itself at a fixed tariff of Rs.2.72 per kWh for a period of 25 years. With a long-term off-take arrangement at a fixed tariff, the company has long-term revenue visibility.

Moderately comfortable debt coverage indicators:
The door to door tenor of the term loan is elongated and debt coverage indicators are expected to be moderately comfortable at standalone project level. DSRA comprising one quarter interest and principal repayment has already been created in line with the sanction term. Additional 1 quarter to be built using the project cash flows during the moratorium period i.e. by October 2020.
As per the sanctioned terms, RPPL has provided irrevocable and continuing corporate guarantee to the security trustee valid till completion of 3 years from COD along with fulfilment of other conditions as stipulated in loan documents.

Industry Outlook
There is great thrust from Govt. for improving the share of solar power in India's overall power mix which is reflected from various policy initiatives. There had been muted solar power generation capacity additions during FY19 & H1FY20 on the back of imposition of safeguard duty on import of solar modules, lack of clarity w.r.to GST rate on solar modules and cancellation of large amount of solar auctions. However, looking at the already allotted capacity and govt.'s push for achieving targeted solar capacity of 100 GW by end FY22, capacity additions are likely to improve in next two to three years. Solar projects have relatively lower execution risks, stable long term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, tariffs comparable to conventional power generation, must run status of solar power projects and upward revision in solar RPO achievement targets. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter RPO enforcement by the state regulators, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook. Going forward key monitorables would be prices of solar modules, performance of the modules in Indian conditions, developments in claim of off-takers for renegotiation of PPAs, modalities to compensate under change in law for safeguard duty, payment pattern of off-takers, imposition of any anti-dumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance.

Key Rating Weaknesses
Counter party credit risks at consolidated level:
Since the company's SPVs are selling a significant portion of power to the state distribution utilities having moderate to weak financial risk profile, it is exposed to the credit risk associated with exposure to state distribution utilities. However, the risk is mitigated to an extent due to diversification in terms of off-takers. Additionally, significant amount of under implementation capacity have PPAs with relatively stronger counterparties (SECI, GUVNL) which will lead to increase in overall exposure from currently around 40% to around 57% of operational capacities to relatively stronger counterparties where payment track records have been relatively better. Going forward, company plans to increase participation in tenders having relatively stronger counterparties (SECI, NTPC, GUVNL etc.). Nevertheless, timely receipt of payments from the various off-takers would be critical from cash flow perspective.

Large expansion plans:
As on January, 2020, the company had under implementation capacity of around 1.5 GW. Nevertheless, the group has a track record of successfully raising funds from various investors in the past and has recently raised USD 300 million at RPPL level from existing investors which is partially being utilized for funding the under implementation capacity. The group also plans to utilize internal cash accruals to some extent as they have an operational capacity of 5.4 GW as on January 2020 which mitigates the funding risk to some extent. Nonetheless, the company's future expansion plans

will result in significant requirement of funds, for which the company would be dependent upon fund raising from various investors (existing and new) and capital markets (domestic and international).

Interest rate fluctuation risk, regulatory and policy risk:
RSPPL is exposed to increase in interest rate going forward, due to fully floating nature of interest on various bank facilities availed by it. Also, there are concerns in the renewable energy sector in India like delays in land acquisition, imposition of safeguard duty on import of solar modules and lack of stricter RPO enforcement by the state regulators which may impact the operational as well as under implementation capacities of the group, going forward. Also, RSPPL operates solar power projects under various state and national level schemes with presence across various states in India including AP, MP, Telangana, Gujarat, Karnataka, Maharashtra, Rajasthan and Tamil Nadu. This exposes the company to uncertainties and unfavourable changes in policies across various states.

Susceptibility of operating performance to change in climatic conditions:
Achievement of desired solar power generation would be subject to change in climatic conditions, amount of degradation of modules as well as technological risks.

Limited Operational Track Record of 250 MW project at standalone level, moderate financial risk profile of the off-taker:
The plant has a limited operational track record of around 5 months post commissioning of the entire capacity in October 2019. The plant generated net CUF of 21.99% for 5MFY20; lower net CUF during 5MFY19 was mainly on account of initial stabilization phase. P-90 CUF for the project is envisaged at 27.43% for 1st full year of operations as per the resource assessment study. However, the generation levels have been satisfactory for February and March 2020. Nevertheless, going forward, achievement of envisaged generation levels would be crucial from cash flow perspective.
The 250 MW project is exposed to credit risk related to sole offtaker MSEDCL, which has a moderate financial risk profile; however, the payments are being received in about 30 to 31 days as against stipulated timeline of 30 days as per PPA. Also, the project is eligible for pass through of safeguard duty (petition filed with Maharashtra Electricity Regulatory Commission) under Change in law clause of PPA though the same is pending for approval.

Liquidity: Adequate
RSPPL's liquidity is adequate with unencumbered cash & bank balance of around Rs. 71.60 crore at consolidated levels and around Rs.4.10 crore at standalone level as on 29th February, 2020 (exclusive of DSRA and margin money). RSPPL is dependent upon ultimate promoter, RPPL, for infusion of funds to meet support requirements for operational projects and equity requirements for various under construction capacity.
At standalone project level, the company has DSRA balance of 1 quarter in the form of FD of Rs. 30.85 crore. In addition to DSRA, project has unrestricted cash balance of Rs. 68.80 crore as on April 9, 2020.

Analytical approach: Standalone

Applicable Criteria
CARE's methodology for Infrastructure sector ratings
Criteria on assigning Outlook and Credit Watch to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Solar Power Projects
CARE's methodology for private power producers
Financial Ratios – Non-Financial Sector

About the Company – Renew Solar Power Private Limited
Renew Solar Power Private Limited (RSPPL), incorporated in June 2012, is a wholly owned subsidiary promoted by RPPL set up for developing and holding solar power projects directly or through its subsidiaries (excluding Rooftop projects). As on January, 2020, RSPPL has operational solar power capacity of 2081 MW spread over Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Rajasthan and Telangana. In addition, RSPPL has 1515 MW of solar power projects under implementation or in planning stage, in the states of Rajasthan, Gujarat and Uttar Pradesh, which are expected to become

operational in the current and upcoming financial years in phases. RSPPL and its wholly owned subsidiary ReNew Solar Energy Private Limited (RSEPL) are also undertaking EPC work for some of the group's solar power projects. While the equipment's are generally procured directly by the respective SPVs, RSPPL and RSEPL undertake civil and balance of plant works. RSSPL also earns revenue through management services to its subsidiaries, which it outsources to RPPL. Additionally, RSPPL has set up a around 320 MW of projects directly under itself which are fully operational as on March 2020.

Brief Financials – RSPPL Standalone (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	233.36	198.93
PBILDT	51.86	95.10
PAT	(36.02)	(37.89)
Overall gearing (times)	0.90	1.56
Interest coverage (times)	0.65	0.69

A: Audited

Status of non-cooperation with previous CRA: ***Not Applicable***
Any other information: ***Not Applicable***
Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	October 2038	973.26	CARE A; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	200.00	CARE A+ (CE); Stable	1)CARE A+ (CE); Stable (06-Apr-20)	-	1)CARE A+ (SO); Stable (18-Feb-19)	1)CARE A+ (SO); Stable (01-Mar-18)
2.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (06-Apr-20)	-	1)CARE A+ (SO); Stable (18-Feb-19)	1)CARE A+ (SO); Stable (01-Mar-18)
3.	Commercial Paper	ST	65.00	Provisional CARE A1+ (CE)	1)Provisional CARE A1+ (CE) (06-Apr-20)	1)Provisional CARE A1+ (CE) (30-Aug-19)	1)Provisional CARE A1+ (SO) (18-Feb-19) 2)Provisional CARE A1+ (SO) (10-Oct-18) 3)Provisional CARE A1+ (SO) (18-Sep-18)	-

							4)Provisional CARE A1+ (SO) (04-Sep-18) 5)Provisional CARE A1+ (SO) (16-Jul-18)	
4.	Commercial Paper	ST	55.00	Provisional CARE A1+ (CE)	1)Provisional CARE A1+ (CE) (06-Apr-20)	1)Provisional CARE A1+ (CE) (30-Aug-19)	1)Provisional CARE A1+ (SO) (18-Feb-19) 2)Provisional CARE A1+ (SO) (26-Dec-18) 3)CARE A1+ (SO) (04-Sep-18)	-
5.	Commercial Paper	ST	30.00	Provisional CARE A1+ (CE)	1)Provisional CARE A1+ (CE) (06-Apr-20)	1)Provisional CARE A1+ (CE) (30-Aug-19)	1)CARE A1+ (SO) (18-Feb-19) 2)CARE A1+ (SO) (26-Dec-18) 3)CARE A1+ (SO) (18-Sep-18)	-
6.	Commercial Paper	ST	100.00	Provisional CARE A1+ (CE)	1)Provisional CARE A1+ (CE) (06-Apr-20)	1)Provisional CARE A1+ (CE) (30-Aug-19)	1)Provisional CARE A1+ (SO) (18-Feb-19) 2)CARE A1+ (SO) (26-Dec-18) 3)CARE A1+ (SO) (10-Oct-18)	-
7.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (06-Apr-20)	-	1)CARE A+ (SO); Stable (27-Mar-19)	-
8.	Un Supported Rating	LT	0.00	CARE A	1)CARE A (06-Apr-20)	-	-	-
9.	Un Supported Rating	ST	0.00	CARE A1	1)CARE A1 (06-Apr-20)	-	-	-
10.	Fund-based - LT-Term Loan	LT	973.26	CARE A; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument (Term Loan availed for 250 MW Solar project)	Detailed explanation
A. Financial covenants	
DSCR	The borrower shall maintain the DSCR as stated in the banking base case during the currency of loan. • DSCR shall not be lower than banking base case as defined in the financing documents.
B. Non-financial covenants	
Consolidation, Merger, Sale of Assets,	• Effect or enter into transaction of merger, de-merger, consolidation, re-organization,

Investment and Acquisitions	scheme of amalgamation or reconstruction, or for sale, lease, transfer or otherwise dispose of any project assets other than permitted disposal; • Make any investment by way of deposits, bonds, share capital, or in any other than the permitted investments with the cash flows from the project; • Utilize the facility for any speculative purpose.
Restricted Payments	The borrower shall not make any restricted payments from the cash flows of the project with the prior approval of the lenders and if the restricted payment conditions are satisfied.
Security Interest	The Issuer shall not create any security interest on or in any of the secured property or any of its other property or assets in relation to the project in favour of any other person, except with prior permission in writing from the lenders

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Name - Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Name – Kunal Arora
Contact No: +91-11-45333247
Email ID –kunal.arora@careratings.com

Business Development Contact
Name - Swati Agrawal
Contact no. : +91-11-45333237
Email ID – swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

For detailed Rationale Report and subscription information, please contact us at www.careratings.com