Renew Solar Power Private Limited

November 25, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	186.00 (Enhanced from 170.00)	CARE A+ (CE); Stable [Single A Plus (Credit Enhancement); Outlook: Stable]*	Reaffirmed
Total Bank Facilities	**186.00 (Rs. One Hundred Eighty-Six Crore Only)**		

Details of instruments/facilities in Annexure-1
** Credit enhancement in the form of unconditional & irrevocable Corporate Guarantee from Renew Power Private Limited (RPPL, rated CARE A+; Stable/ CARE A1+)*

Detailed Rationale & Key Rating Drivers for the credit enhanced debt
The long term rating assigned to the bank facilities of Renew Solar Power Private Limited (RSPPL) factors in the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by RPPL till the final settlement of term loan for an amount aggregating Rs. 186 crore (extended from Rs. 170 crore; term loan for an amount aggregating Rs. 16 crore availed against safeguard duty cost of Rs. 32.20 crore). The company has availed term loan for 50 MW solar project in Rajasthan, which is fully operational and has a satisfactory operational track record of around 18 months.

Detailed Rationale & Key Rating Drivers of Renew Power Private Limited
The detail rationale of the corporate guarantee provider, Renew Power Private Limited is available on www.careratings.com

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 strong counterparty viz. Solar Energy Corporation of India Limited (SECI) at a fixed tariff for entire tenure for 50 MW project set-up at RSPPL standalone level with satisfactory operational track record of about 1.5 years.

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.

Rating Sensitivities
The key rating sensitivities for the rating assigned to RSPPL's facility shall be in-line with key rating sensitivities of the corporate guarantee provider viz. RPPL.

Detailed description of the key rating drivers
Key Rating Strengths
Unconditional and irrevocable Corporate Guarantee from Renew Power Private Limited:
As per the sanctioned terms, the term loan availed by the company for the 50 MW solar project being implemented in the state of Rajasthan is backed by an unconditional and irrevocable Corporate Guarantee provided by the promoter i.e. Renew Power Private Limited (rated CARE A+; Stable/CARE A1+) till the final settlement of the facility. The Detailed Rationale & Key Rating Drivers of Corporate Guarantee provider (Renew Power Private Limited, rated CARE A+; Stable/ CARE A1+) is available on our website www.careratings.com.

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

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 & FY20 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.

Liquidity: Adequate

RSPPL's liquidity is adequate with unencumbered cash & bank balance of around Rs. 103.70 crore at standalone level. 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 Fixed Deposit (FD) of Rs. 5.86 crore. In addition to DSRA, project has unrestricted cash balance of Rs. 5.90 crore as on October, 2020.

The liquidity analysis of Guarantor viz. Renew Power Private Limited is available in their detailed rationale on our website www.careratings.com.

Impact of COVID-19 (50- MW - Standalone Project): The Company had not availed any moratorium from its lender as the impact of COVID-19 pandemic has been minimal on the operations of the projects. The plant continued to generate power during the national lockdown period as well and the payments are being received in a regular manner.

Analytical approach: CARE has taken into consideration the fact that bank facilities are backed by unconditional and irrevocable corporate guarantee provided by Renew Power Private Limited [RPPL (erstwhile Renew Power Limited), rated CARE A+; Stable/ CARE A1+] till final settlement. Accordingly, the ratings of RSPPL's term loan are driven by the ratings of corporate guarantor viz. RPPL.

Analytical approach of corporate guarantor viz. RPPL is consolidated.

Applicable Criteria

CARE's methodology for Infrastructure sector ratings
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Rating Methodology: Consolidation and Factoring Linkages in Ratings
Criteria for Rating Credit Enhanced Debt
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 Power Private Limited) Credit Enhancement provider:

Renew Power Private Limited Renew Power Private Limited (RPPL, erstwhile Renew Power Limited), founded by Mr. Sumant Sinha in 2011, and is engaged in renewable power generation business (wind and solar power). While the majority of the projects are under special purpose vehicles (SPVs) which are its wholly-owned/majority owned subsidiaries, the company also has 483.3 MW of wind power capacity directly under itself in the states of MP, Gujarat and Rajasthan out of which 66.70 MW is under implementation by the company. In FY12, Goldman Sachs group, through its investment arm, GS Wyvern Holdings Limited (GSH), invested US$ 250 million of equity funds in RPPL. Subsequently, other investors, Asian Development Bank (ADB), South Asia Clean Energy Fund (SACEF), Abu Dhabi Investment Authority (ADIA), Jera Co. Inc (Jera) Canada Pension Plan Investment Board (CPPIB) have made significant investment and also GSH has participated in further rounds of equity fund raising by the company. In June 2019, three of the existing investors infused USD 300 million (~Rs2100 crore) of fresh equity in

RPPL. GSH holds majority stake in the company, while other investors and Mr. Sumant Sinha are minority shareholders. Also, in March 2018, RPPL completed the acquisition of Ostro's 1.1 GW renewable portfolio (Actis backed renewable energy platform). As on September, 2020 with the commissioned renewable power capacity of around 5.47 GW spread over Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Andhra Pradesh, Telangana and Karnataka states, the company has established itself as one of the largest renewable energy players in India. Also, the company has a large pipeline of under implementation and planned projects in both solar and wind power segments aggregating more than 4.15 GW.
The detail rationale RPPL is available on www.careratings.com

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 September, 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 2790 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 around 320 MW (including 50 MW project at Bhadla solar park) of projects directly under itself which are fully operational as on March 2020.

Brief Financials – RSPPL Standalone (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	198.93	374.10
PBILDT	95.10	262.70
PAT	(37.89)	-54.00
Overall gearing (times)	1.56	3.01
Interest coverage (times)	0.69	0.98

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*

Complexity level of various instruments rated for this company: Annexure 4

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	-	-	March 2023	186.00	CARE A+ (CE); 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-Commercial Paper (Standalone)	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-Commercial Paper (Standalone)	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-Commercial Paper (Standalone)	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)	-

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
6.	Commercial Paper-Commercial Paper (Standalone)	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	1)CARE A; Stable (05-May-20)	-	-	-
11.	Fund-based - LT-Term Loan	LT	186.00	CARE A+ (CE); Stable	1)CARE A+ (CE); Stable (03-Jul-20)	-	-	-

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

Name of the Instrument (Term Loan availed for 50 MW Solar project)	Detailed explanation
A. Financial covenants	
➢ Consolidated Net Debt/ Cons. EBITDA ➢ Operating Net Debt/Operating EBITDA ➢ [Operating Net Debt + Non-project related corporate debt]/Operating EBITDA ➢ Standalone Net Debt/Standalone Tangible Networth	The borrower shall ensure and cause the sponsor to ensure that on any calculation date, the following covenants shall be as per the following: • Not exceeding 7 times till June 30, 2020 • Not exceeding 5.75 times • Not exceeding 6.50 times • Not exceeding 3.0 times
B. Non-financial covenants	
Consolidation, Merger, Sale of Assets, Investment and Acquisitions	• The borrower shall not enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction. • The borrower shall not, in relation to this project, enter into any partnership, joint venture arrangement or other type of arrangement under which its profit or revenue may be pooled with that of any other person.
Financial Indebtedness	The borrower shall not have any financial indebtedness outstanding other than permitted indebtedness; (*in relation to 50 MW Bhadla Solar Project*): • The safeguard duty debt shall not at any given time, exceeds 75% of the safeguard duty cost; • The annual debt service cover ratio (for the remaining debt sizing period from the date of availing the safeguard duty debt) after including safeguard duty debt shall be at least 1.20; • The safeguard duty debt is not availed/incurred by the borrower, in the period of 6 months prior to the financial maturity date.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

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

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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.

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