May 19, 2025

Rugby Renergy Private Limited: Long-term rating downgraded to [ICRA]BBB+; outlook continues to be Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Term loan	21.00	17.68	[ICRA]BBB+ (Negative); downgraded from [ICRA]A- (Negative)
Long term – Unallocated	19.00	0.00	-
Total	**40.00**	**17.68**	

**Instrument details are provided in Annexure I*

Rationale

The downward revision of the long-term rating of Rugby Renergy Pvt Ltd (RRPL) factors in the delay in the rectification of the wind turbine generators (WTGs) that were impacted by cyclone Biporjoy in FY2024. The damage to the WTGs, along with adverse weather conditions, resulted in lower-than-expected revenues last fiscal with the FY2025 turnover at ~Rs. 13.7 crore, 25% lower than ICRA's earlier estimate. The PLF was much lower at 13.8% in 11M FY2025 against the historical average of 17.6% reported during the FY2021-FY2023 period because of the lower wind speed and sub-par machine availability of RRPL's three plants in Gujarat, aggregating to 24MW, because of the damage caused by the cyclone. Therefore, the company's FY2025 DSCR is at 1.2 times, significantly lower than 1.45 times estimated earlier.

The weighted average machine availability, which was historically (FY2021-FY2023) ~97% for these three plants, stood at ~84% in Q4 FY2025, even after almost two years after the cyclone, which suggests that the affected sites are yet to be fully restored. While ICRA understands that the company has undertaken measures to gradually improve the machine availability in the current fiscal, the generation and revenues are unlikely to inch up to the historical average in FY2026, prompting ICRA to maintain its Negative outlook on the rating. Hence, a further improvement in the generation performance would be a key monitorable, going forward.

ICRA notes that cross-default linkages exist between the loans taken by RRPL and Goyal MG Gases Pvt Ltd (GMGGPL). Based on its interaction with the lender, ICRA understands that lender is unlikely to invoke the cross-default clause to preserve its economic interests. Moreover, RRPL may not have to depend on GMGGPL for funding support, given its ability to generate adequate free cash flows to service its scheduled debt service obligations. Additionally, RRPL's long-term revenue visibility gives it the ability to refinance the loan in the unlikely case that the cross-default is invoked. The rating of RRPL is, therefore, not constrained by the rating of GMGGPL.

The rating also factors in the long-term power purchase agreements (PPAs) for its 37-MW wind power capacity at fixed tariff rates with Gujarat Urja Vigas Nigam Limited (GUVNL) for 25.8 MW and with Hubli Electricity Supply Company Limited (HESCOM) for 11.2 MW, providing visibility on the revenues. The strong credit profile of GUVNL (rated [ICRA]AA-(Stable)/[ICRA]A1+), which is the offtaker for ~70% of the company's capacity, also supports the rating. ICRA further positively takes note of the tariff competitiveness of the company's wind power plants - the average PPA tariff is Rs. 3.4 per unit, which remains competitive against the average power procurement cost for the offtaker utilities. Further, ICRA factors in the diversification benefit accruing to RRPL with the wind power assets distributed across five locations in two states. This apart, the rating continues to favourably factor in the experience of the promoters in the renewable energy business.

The rating, however, is constrained by the exposure of the company's cash flows and debt protection metrics to the seasonality and variation in wind power density across the years, given the single part and fixed nature of the tariff under the PPAs. Further, RRPL remains exposed to the credit risk profile of a relatively weak state utility, HESCOM, which is the offtaker for ~30% of the company's installed capacity, where the payments have been stretched in certain months.

The company also remains exposed to the performance of O&M contractors like Suzlon, Vestas and Renom. The generation performance may be adversely impacted in case of improper O&M practices by the contractors as some of them have weak financial profiles. Moreover, given the ageing of the assets, the company is exposed to the risk of decline in PLFs and increase in maintenance costs. Further, there are regulatory challenges of implementing the scheduling and forecasting framework for wind power projects in Gujarat and Karnataka because of the variable nature of wind energy generation.

The Negative outlook on the long-term rating reflects the expectation that RRPL is unlikely to inch back to the pre-FY2024 level of performance in the current fiscal as well, which would keep its debt protection metrics weaker-than-anticipated.

Key rating drivers and their description

Credit strengths

Long-term PPAs mitigate offtake and tariff risks; tariff competitiveness for wind portfolio - RRPL has long-term PPAs for its entire capacity with 11.2 MW contracted with HESCOM and 25.8 MW contracted with GUVNL. The strong credit profile of GUVNL, which is the offtaker for ~70% of the capacity, lends comfort to the company's credit profile. The weighted average tariff is at a 16-18% discount to the average power procurement cost for the offtaker utilities, reflecting the competitiveness of the power generated by the company.

Asset base spread across five locations in two states - RRPL has an installed capacity of 37.0 MW across five locations in two states. It is operating 11.2-MW assets in Karnataka and 25.8 MW across four locations in Gujarat. This reduces the vulnerability of generation to location-specific issues. All the plants had a long performance track record with a satisfactory generation performance till the cyclone hit Gujarat in June 2023, impacting the performance in the last two years ended FY2024/FY2025.

Timely payments from GUVNL - The payments from GUVNL, which accounts for ~70% of the total offtake, have been historically on time. The timely monthly payments from GUVNL supports the company's liquidity profile.

Long experience and established presence of promoters in renewable energy business – RRPL is promoted by the members of the Goyal family, who have been present in the renewable energy business over the last two decades. At present, the Group is operating wind power plants with cumulative capacities of ~70 MW across multiple locations.

Satisfactory debt coverage indicators - The company's debt coverage metrics are expected to remain satisfactory with a cumulative DSCR of 1.25-1.30x over the debt repayment tenure, supported by PPAs at remunerative tariffs and the competitive interest rates. That said, the cumulative DSCR has been revised downwards from the earlier estimate of over 1.45 times made during the previous rating exercise in August 2024 because of the delay in improvement in machine availability.

Credit challenges

Dip in generation levels in 11M FY2025; recovery in performance/PLF at historical average unlikely in current fiscal - The PLF was lower at 13.8% in 11M FY2025 against the historical average of 17.6% reported during the FY2021-FY2023 period on account of weak wind speed as well as lower machine availability at RRPL's three Gujarat-based plants, aggregating to 24 MW, which were damaged by the cyclone. While ICRA understands that the company has undertaken measures to gradually improve the machine availability in the current fiscal, the generation and revenues are unlikely to inch up to the historical average in FY2026. The generation performance would be a key monitorable, going forward.

Vulnerability of cash flows to variation in weather conditions - RRPL is entirely dependent on power generation by the wind power projects for its revenues and cash accruals, given the single-part nature of the tariff. As a result, any adverse variation in wind conditions may impact the PLF and consequently, the cash flows. This risk is partly mitigated by the diversity in the asset profile.

Exposure to improper O&M practices of contractors - The generation performance of the underlying assets may be adversely impacted in case of improper O&M practices by the contractors as some of them have weak financial profiles. Moreover, the assets are exposed to the risk of decline in PLFs and increase in maintenance costs, given their vintage.

Challenges of implementing forecasting and scheduling regulations- The company remains exposed to the regulatory challenges of implementing the scheduling and forecasting framework for the wind power projects of Gujarat and Karnataka. This is mainly because of the limited experience of domestic industry players in scheduling and forecasting and the variable nature of wind energy generation.

Liquidity position: Adequate

Liquidity position of company remains adequate owing to free cash & bank balances of Rs. 4.6 crore as on March 31, 2025, and expectations of the company generating positive free cash flows, going forward. While the free cash flows are expected to be adequate to meet the company's debt servicing requirement, they can come under pressure on account of delays in collections from the offtakers and/ or lower generation due to variable weather patterns/older machines. That being said, the on-balance sheet liquidity is expected to help it tide over such cash flow timing mismatches. In addition, RRPL has a debt service reserve (DSRA) of Rs. 1.36 crore in the form of a combination of bank guarantee (Rs. 1.02 crore)/FDR (Rs. 0.34 crore), which covers 2-3 months of scheduled debt service requirement.

Rating sensitivities

Positive factors – The outlook on the long-term rating can be revised to Stable if the company's operating performance recovers further with the PLFs inching up to the historical average of ~17.6%. Further, a timely collection of payments from the offtakers would help improve the debt coverage metrics and maintain a comfortable liquidity position, supporting a favourable rating action.

Negative factors – A further decline in generation, or a marked increase in receivables from discoms, or a sizeable outflow of funds to Group entities would adversely impact the company's liquidity position and debt coverage metrics and result in a downgrade. Further, any debt-funded capex or acquisition that adversely impacts the debt coverage metrics would be a negative trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Wind
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

RRPL, incorporated in September 2013, is a fully-owned subsidiary of Poysha Power Projects Pvt Ltd (an entity which was earlier a wholly-owned subsidiary of Goyal MG Gases Pvt Ltd or GMGGPL). Before June 2017, GMGGPL was the parent of RRPL, and thereafter Poysha Power Projects Pvt Ltd became RRPL's holdco. RRPL operates five wind plants with a cumulative capacity of 37.00 MW, with one 11.20-MW plant in Karnataka and four wind power assets of 25.80 MW in Gujarat.

Key financial indicators (audited)

RRPL Standalone	FY2024	FY2025^
Operating income	15.5	13.7
PAT	2.5	0.5
OPBDIT/OI	49.6%	46.2%
PAT/OI	16.4%	3.6%
Total outside liabilities/Tangible net worth (times)	0.6	0.5
Total debt/OPBDIT (times)	3.0	2.8
Interest coverage (times)	3.1	3.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; ^ Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**May 19, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term loans	Long term	17.68	[ICRA]BBB+ (Negative)	22-Aug-2024	[ICRA]A- (Negative)	30-May-2023	[ICRA]A- (Stable)	-	-
Unallocated	Long term	-		22-Aug-2024	[ICRA]A- (Negative)	30- May-2023	[ICRA]A- (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Term loan**	FY2022-FY2023	NA	FY2028	17.68	[ICRA]BBB+ (Negative)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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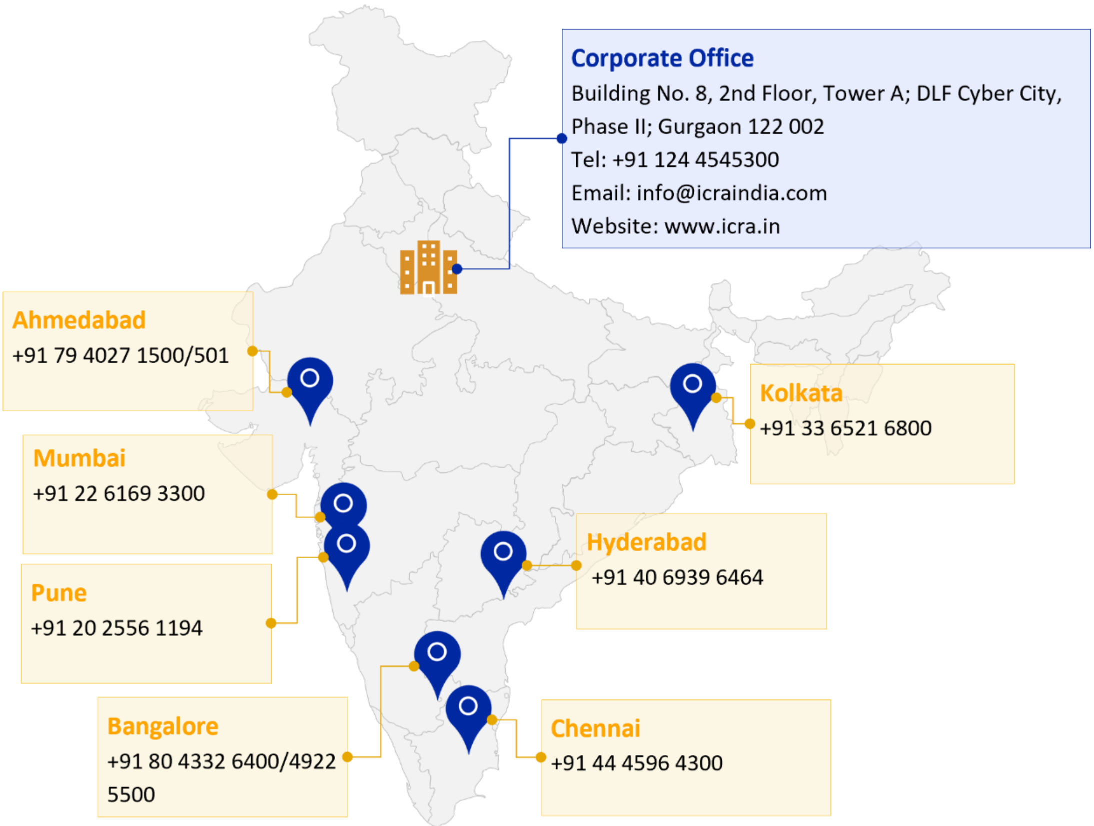

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