

July 31, 2025

## Sun Drops Energia Private Limited: Ratings assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Term loan	85.52	[ICRA]A(CE) (Positive); assigned
Long term – Fund based - Cash credit	10.00	[ICRA]A(CE) (Positive); assigned
Short-term - Non-fund based	10.00	[ICRA]A2+(CE); assigned
Short-term – Unallocated	4.48	[ICRA]A2+(CE); assigned
<b>Total</b>	<b>110.00</b>	

<b>Rating without explicit credit enhancement</b>	<b>[ICRA]A-</b>
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\*Instrument details are provided in Annexure I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

### Rationale

The above ratings are based on the strength of the corporate guarantee provided by KPI Green Energy Limited (KPI Green; KPIGEL, rated [ICRA]A (Positive)/A2+), the parent of Sun Drops Energia Private Limited (Sun Drops; SDEPL), for the rated bank lines. The assigned rating takes into account the credit profile of the guarantor, as per the rating rationale published for KPIGEL on ICRA's website on July 29, 2025.

To arrive at the ratings of the parent, ICRA has considered the consolidated financials of KPI Green Energy Limited (KPI Green, KPIGEL) and its subsidiaries—KPIG Energia Private Limited (KPIG Energia, KPIGEPL), KPark Sunbeat Private Limited (KPark), Sun Drops Energia Private Limited (Sun Drops, SDEPL) and Miyani Power Infra LLP (Miyani Power; MPIL), referred to as the Group.

### Adequacy of credit enhancement

For assigning the ratings, ICRA has assessed the attributes of the guarantee issued by KPIGEL in favour of the rated instruments of SDEPL. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined payment and invocation mechanism, although the same is post default in nature. Given these attributes, the guarantee provided by KPIGEL is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]A(CE)(Positive) against the rating of [ICRA]A- without explicit credit enhancement. In case the rating of the guarantor undergoes a change in future, the same would be reflected in the rating of the aforesaid instrument as well.

For a detailed rating rationale of KPIGEL, [Click here](#)

### Salient covenants of the rated facility

- » Pledge of company's shares to the bank equivalent to 30% of the project equity and undertaking that promoters' shares should not be pledged to any bank/FIs without prior approval of lender

- » Promoters' undertaking that in case of insufficient cash accruals, fresh funds shall be brought in towards repaying the term loan liabilities from their own sources
- » Debt service coverage ratio (DSCR) of at least 5.52 times; no penalty up to 5% deviation in the same
- » Debt service reserve account (DSRA) equivalent to 3 months' debt servicing (interest + principal) on the term loan

The rating without explicit credit enhancement of [ICRA]A- for SDEPL takes into account the revenue visibility for its ~22-MW (including hybrid) independent power producer (IPP) capacity owing to the long-term power purchase agreements (PPAs) inked with various commercial and industrial (C&I) customers. The rating also positively factors in the robust revenue growth in FY2025 on a year-on-year (YoY) basis and a healthy captive power plant (CPP)/engineering, procurement and construction (EPC) order book as on March 31, 2025.

The rating is also supported by the ~Rs. 500-crore equity raised by the entity in FY2025, which will support the working capital requirements arising from the rapidly growing CPP/EPC order book, and has improved the entity's capital structure. Further, the rating takes into account the benefits arising from the Group's experience and its satisfactory track record in the renewable energy sector and allied power plant setting-up activities.

The rating is, however, constrained by the risks associated with adequate generation levels in line with the P-90 PLF levels and remunerative tariff rates. The rating is also constrained by the risks pertaining to the termination of PPAs, given the weak exit clause.

## Key rating drivers and their description

### Credit strengths

**Experience of key promoter in renewable energy sector** - The key promoter, Dr. Faruk G. Patel, who is the founding member of the Group, has over two decades of experience in the renewable energy sector and allied power plant setting-up activities. He is also the founder of K.P. Energy Ltd. (involved in wind energy projects) and KP Green Engineering (previously known as KP Buildcon Private Limited, involved in providing one-stop solution for the infrastructure needs of renewable energy projects). The extensive experience of the promoter has enabled the Group to build an in-depth understanding of the dynamics of the market and the industry, resulting in a well-established network of suppliers and customers. This has aided a sustained healthy growth in revenues over the last five years. Overall, the entire Group has energised ~1.86 GW of solar and wind projects till date.

**Explicit support through corporate guarantee from parent** - SDEPL's credit profile is enhanced by the corporate guarantee provided by KPIGEL {rated [ICRA]A (Positive)/[ICRA]A2+} for the above-rated bank limits.

**Long-term PPAs with reputed counterparties; healthy CPP/EPC order book** - SDEPL has entered into long-term PPAs with reputed counterparties for the total installed IPP capacity of ~22 MW. Also, the company has a practice of entering into agreements for additional capacities with the customers over and above the installed IPP capacities, which provides a cushion in case of termination by any customer. This provides revenue visibility for the company's IPP business, mitigating the PPA termination risk to an extent.

The company's revenue grew at a healthy rate on a YoY basis and more than doubled to Rs. 367.07 crore in FY2025 from Rs. 168.17 crore in FY2024 owing to higher execution of the CPP/EPC orders. The company also raised ~Rs. 500 crore equity in H2 FY2025, which will be utilised towards the working capital requirements arising from the rapidly growing CPP/EPC order book. Sun Drops' CPP/EPC order book stood healthy at ~Rs. 560 crore as of March 2025, to be executed over the next 6-12 months, indicating a healthy revenue growth in the current fiscal as well. The company's operating profit margin moderated to 20.87% in FY2025 (provisional numbers) compared with 23.31% in FY2024, primarily due to the higher share of CPP/EPC in the total revenue, which has lower margin compared to the IPP segment.

## Credit challenges

**Risks of adequate generation levels and remunerative tariff rates** - SDEPL is exposed to the risks associated with adequate generation levels in line with the P-90 PLF levels and remunerative tariff rates under the PPAs with the C&I customers.

**PPA termination risk** - The cash flows from the IPP segment are susceptible to PPA termination, given the weak exit clause of the PPAs. The PPAs can be terminated by either party after giving a notice of six months/one year. Notwithstanding this, historically, the Group has not witnessed any major PPA termination from its key clients.

**Susceptibility of IPP cash flows to tariff rates and other factors** - The IPP segment's cash flows are susceptible to tariff realisation, which remains exposed to the grid tariff rates and the open access/transmission charges. Further, as the company has the entire capacity (IPP+CPP) in Gujarat, the geographical concentration risk amplifies the regulatory risk arising from any adverse policy change in the state or increase in competition at a regional level, which may impact its margins.

**IPP cash flows vulnerable to climatic conditions** - The IPP segment's cash flows remain vulnerable to the PLF levels, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or module performance may impact the PLF and consequently the cash flows. The geographic concentration of the assets amplifies the generation risk.

## Liquidity position

### For the rated entity SDEPL: Adequate

SDEPL's liquidity position remains adequate, marked by sufficient cash flow from operations in relation to the debt servicing requirements, along with the presence of a debt service reserve account (DSRA) of one quarter. The liquidity is also supported by the ~Rs. 500-crore equity raised by the entity in H2 FY2025.

### For the guarantor KPIGEL: Adequate

At a consolidated level, the liquidity position of KPI Green Energy Limited remains comfortable, supported by healthy cash accruals and equity infusion of Rs. 1,000.0 crore at KPI Green in August 2024 and Rs. 500.0 crore at Sun Drops in H2 FY2025. The Group had healthy free cash and liquid investments of around Rs. 377 crore as of March 2025. Further, at the consolidated level, the Group is expected to generate sufficient cash flow from operations to meet the annual debt repayment obligations of ~Rs. 18-122 crore over FY2026-FY2027.

## Rating sensitivities

**Positive factors** – The ratings would remain sensitive to any movement in the rating or outlook of the guarantor, i.e. KPI Green Energy Limited.

**Negative factors** – The ratings may be downgraded if there is sustained pressure on the earnings and profitability, weakening the debt metrics and liquidity. The rating would also remain sensitive to any movement in the rating or outlook of the guarantor, i.e. KPI Green Energy Limited.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Power-Solar</a> <a href="#">Power - Wind</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of KPIGEL, its wholly-owned subsidiaries—KPIGEPL and KPark, and the subsidiary—SDEPL.

## About the company

Sun Drops Energia Private Limited (SDEPL), incorporated in 2019, is a subsidiary of KPI Green Energy Limited (KPIGEL; 65.87% holding). It provides power as an independent power producer (IPP) and is a service provider (EPC contractor) to CPP customers. The company has an installed IPP solar capacity of ~8 MWAc and a hybrid capacity (solar and wind) of ~13.5 MW. The entire capacities (IPP+CPP) are at Bharuch, Gujarat.

## About the parent

KPI Green Energy Limited (KPIGEL, previously known as K.P.I. Global Infrastructure Ltd.), incorporated in February 2008, provides power as an independent power producer (IPP) and is a service provider (EPC contractor), to CPP (captive power plant) customers. The current operational IPP capacity of the company under the third-party open access route is ~108 MW, including the recently developed hybrid capacity of ~30.2 MW in the Bhavnagar and Bharuch districts of Gujarat.

Also, there are installed IPP capacities of ~20 MWAc/25MWDC, ~22 MW (including hybrid) and ~10 MW under the subsidiaries, KPIGEPL (KPIG Energia), SDEPL (Sun Drops) and Kpark, respectively. Most of the company's installed capacity is at Bharuch, Gujarat. At the Group/consolidated level, the current installed IPP capacity under the third-party open access route stands at over 160 MW.

The company has also recently forayed into utility-scale IPP projects, entering into power purchase agreements (PPA) with GUVNL. As part of this, the company has recently completed the installation of a 200-MWAc solar project at Khavda and a 50-MW hybrid project (92.15-MW installed capacity; solar + wind) at Bharuch in Gujarat, though the commissioning is still pending. Also, the Group had commissioned/installed CPP projects of more than 447 MW as of March 2025 (336 MW as of September 2024).

At present, KPI Green Energy Limited has an under-development IPP capacity of ~0.9 GW (less than 10% of the total cost incurred as of June 2025), including the recently awarded utility-scale projects as below:

- 250-MW (275 MW DC) solar power project contracted with GUVNL at a tariff rate of Rs. 2.65 per unit
- 370-MW (658 MW installed capacity) hybrid power projects contracted with GUVNL at a tariff rate of Rs. 3.24 per unit

The company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange, India.

### Key financial indicators (audited)

Standalone-SDEPL	FY2024	FY2025*
Operating income	168.17	367.07
PAT	27.17	52.00
OPBDIT/OI	23.31%	20.87%
PAT/OI	16.16%	14.17%
Total outside liabilities/Tangible net worth (times)	4.46	0.22
Total debt/OPBDIT (times)	1.64	1.07
Interest coverage (times)	15.28	16.53

Source: Company, ICRA Research; \*Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

Instrument	Type	Current (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Jul 31, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
1 Term loan	Long term	85.52	[ICRA]A(CE) (Positive)	-	-	-	-	-	-
2 Cash credit	Long term	10.00	[ICRA]A(CE) (Positive)	-	-	-	-	-	-
3 Non Fund based	Short term	10.00	[ICRA]A2+(CE)	-	-	-	-	-	-
4 Unallocated limits	Short term	4.48	[ICRA]A2+(CE)	-	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based - Term loan	Simple
Long term – Fund based - Cash credit	Simple
Short term - Non-fund based	Very Simple
Short term – Unallocated	Not Applicable

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 loans	FY2022	-	FY2039	85.52	[ICRA]A(CE) (Positive)
NA	Cash credit	NA	NA	NA	10.00	[ICRA]A(CE) (Positive)
NA	Non-fund based	NA	NA	NA	10.00	[ICRA]A2+(CE)
NA	Unallocated limits	NA	NA	NA	4.48	[ICRA]A2+(CE)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure II: List of entities considered for consolidated analysis

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