June 04, 2024

Khidrat Renewable Energy Private Limited: [ICRA]A-(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term fund-based – Term loan	1410.00	[ICRA]A-(Stable); assigned
Long term– fund-based/non-fund-based facilities	30.00	[ICRA]A-(Stable); assigned
Total	**1440.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating assigned reflects the strong parentage of Khidrat Renewable Energy Private Limited (KREPL), which is developing a 445-MWp solar power project in Bikaner, Rajasthan. KREPL is a step-down subsidiary of Statkraft AS, which is the largest renewable energy producer in Europe with an installed capacity of 19.4 GW, of which 12.1 GW is hydropower capacity in Norway. The credit profile of Statkraft AS is strengthened by its sovereign ownership, sizeable low-cost project capacity and strong liquidity position. While the financial closure for the project has been achieved, majority of the debt will have a bullet repayment in January 2029. While this exposes the company to significant refinancing risks, ICRA expects parent Statkraft AS to ensure that adequate refinancing arrangements will be made in a timely manner.

KREPL plans to sell its entire capacity on the merchant exchange. This strategy has the potential for higher returns, but exposes the company to significant offtake and tariff risks. However, ICRA notes the healthy tariffs in the short-term market in the last couple of years. Moreover, the project economics are expected to remain superior as the company should be able to raise relatively low cost and longer tenured debt by virtue of its parentage. The payment risk, too, is expected to remain low as the power will be sold on the exchange.

These strengths are tempered by nascent stage of the project's construction with module and transmission line installation works expected to start shortly. The required land and grid connectivity approvals are in place and the company expects to commission the full project capacity by April/May 2025.

Post commissioning, the company's cash flows and debt protection metrics would remain sensitive to its generation performance. Any adverse variation in weather conditions and equipment performance can impact the generation levels and consequently the cash flows. The demonstration of generation performance in line or above the appraised P-90 PLF levels remains a key credit monitorable, post commissioning.

The Stable outlook on KREPL rating reflects ICRA's expectation that the project will be commissioned within the budgeted time and costs followed by generation in line with the design levels.

Key rating drivers and their description

Credit strengths

Experienced promoter group with a demonstrated track record– KREPL is a subsidiary of Sourya Manthan Renewable Energy Private Limited (SMREPL), which is promoted by Norwegian state-owned Statkraft AS. It is the largest renewable energy developer in Europe with an aggregate capacity of 19.4 GW, of which 12.1 GW is hydropower capacity located in Norway. The credit profile of Statkraft is strengthened by its sovereign ownership, sizeable low-cost project capacity and strong liquidity position, evident from the presence of sufficient liquid funds.

Expected strong project economics with healthy debt coverage metrics – The company's debt coverage metrics are expected to remain healthy, supported by the long tenure of the project debt and competitive interest rates, following the refinancing in January 2029. Also, the company's liquidity position remains supported by the financial closure of the project being in place as well as the presence of a strong parent, Statkraft AS, which is expected to infuse equity in a timely manner.

Credit challenges

Exposure to execution risk – The rating is constrained by execution risks, given the nascent stage of construction of the project with module and transmission line installation works expected to start shortly. Nonetheless, comfort is drawn from the availability of complete land and approval for grid connectivity. The company expects to commission the full project capacity by April/May 2025.

Refinancing concerns– The external debt being raised will be substantially repaid in bullet payments in January 2029, which exposes the company to refinancing risk. ICRA takes comfort from the strong parentage of the company and expects parent Statkraft AS to ensure that adequate refinancing arrangements will be made in a timely manner.

Offtake risk from absence of power purchase agreement (PPA) - KREPL plans to sell power on the merchant exchange and thus the revenue will be directly linked to market prices, which can be highly volatile. This strategy has the potential for higher returns, but exposes the company to significant offtake risk. At the same time, the payment risk is expected to remain low as the power will be sold on the exchange.

Cash flows vulnerable to irradiance levels - The cash flow generation of solar power projects is directly influenced by the irradiance levels. The cash flows will face headwinds in a scenario of lower-than-expected irradiance due to weather conditions, seasonal changes and geographical factors. An achievement of plant load factor (PLF) in line with the design levels will remain a key monitorable.

Liquidity position: Adequate

The liquidity profile for KREPL is adequate, supported by the financial closure for the debt and the presence of a strong parent, Statkraft AS, which is expected to infuse equity in a timely manner.

Rating sensitivities

Positive factors – ICRA could upgrade KREPL's rating if the project is commissioned without any major cost overruns and demonstrates a satisfactory generation performance. Also, the rating would remain sensitive to the credit profile of its parent, Statkraft.

Negative factors – KREPL's rating can be downgraded if there are significant delays in commissioning the project or there are large cost overruns, impacting the project's credit metrics. The rating may also be downgraded if the actual generation performance, post commissioning, is lower than the P-90 level on a sustained basis. Further, the rating would remain sensitive to the credit profile of its parent, and the weakening of linkages with Statkraft AS would be another negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Solar
Parent/Group support	Support from ultimate parent entity – Statkraft AS

Consolidation/Standalone	The rating is based on the company's standalone financial profile

About the company

Khidrat Renewable Energy Private Limited (KREPL, hereinafter referred to as the company) is a private limited company incorporated in India on December 4, 2020, under the provisions of the Companies Act, 2013. During the fiscal ended March 31, 2023, Souryamanthan Renewable Energy Private Limited acquired a 100% stake in the company. Statkraft AS is the ultimate holding company of KREPL.

The company is setting up a 445-MW (DC capacity) solar power project in Rajasthan. The project will be connected to the grid through a ~14.7-km 220KV transmission line. The total project cost is estimated at Rs. 1,999.40 crore, being funded with debt: equity of 71:29.

KREPL Standalone	FY2022	FY2023
Operating income	-	-
PAT	3.1	5.6
OPBDIT/OI	-	-
PAT/OI	-	-
Total outside liabilities/Tangible net worth (times)	-	-
Total debt/OPBDIT (times)	-	-
Interest coverage (times)	-	-

Project is under-construction, hence financials are not meaningful

Source: Company, ICRA Research

PAT: Profit after tax; OPBDIT: 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	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Jun 04, 2024	-	-	-
1	**Fund based - Term loan**	Long Term	1410.0*	-	**[ICRA]A-(Stable)**	-	-	-
2	**fund-based/non-fund-based facilities**	Long Term	30.0	-	**[ICRA]A-(Stable)**	-	-	-

**yet to be disbursed*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based – Term loan	Simple
Long term– fund-based/non-fund-based facilities	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**	March 2024	NA	FY2029	1410.0	[ICRA]A-(Stable)
NA	**fund-based/non-fund-based Facilities**	Feb 2024	NA	NA	20.0	[ICRA]A-(Stable)
NA	**fund-based/non-fund-based facilities**	March 2023	NA	NA	10.0	[ICRA]A-(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

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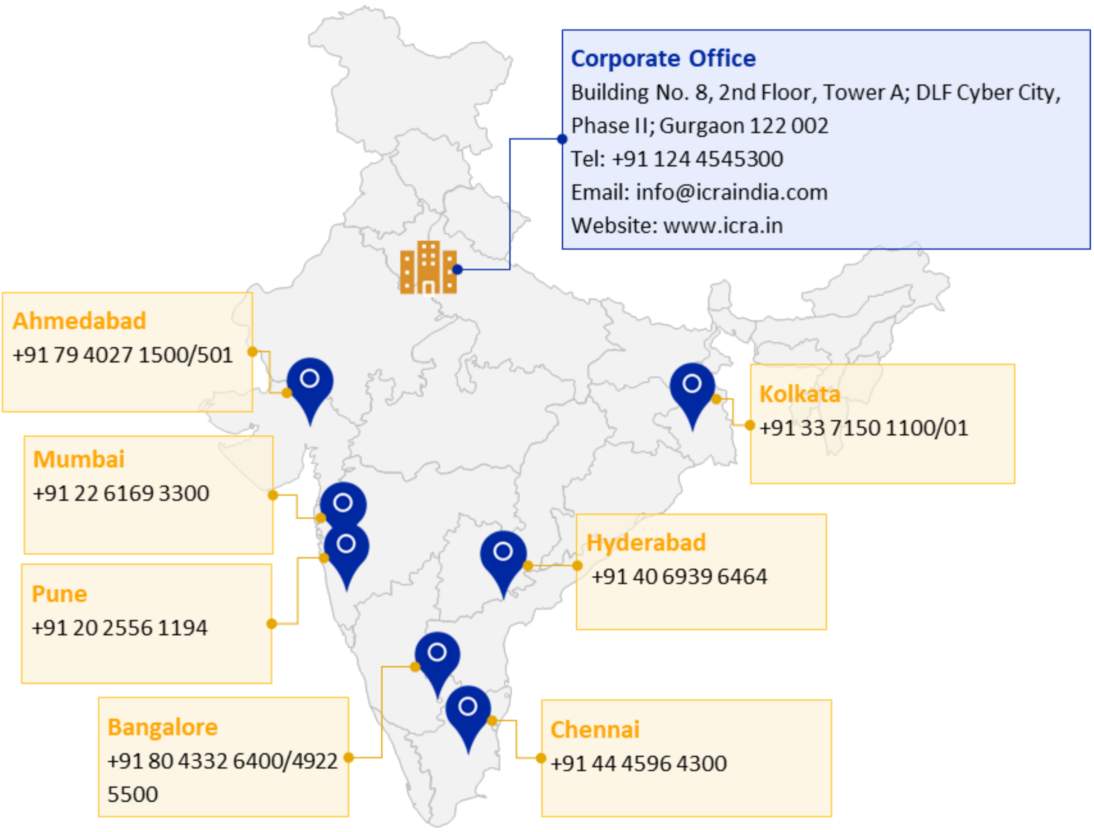

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