March 17, 2025

Huoban Energy 11 Private Limited: [ICRA]BBB+ (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	76.00	[ICRA]BBB+ (Stable); assigned
Total	**76.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating for Huoban Energy 11 Private Limited (Huoban 11) factors in the strong operational and financial linkages with the ultimate parent - Fourth Partner Energy Limited (FPEPL; rated [ICRA]A-(Positive) /[ICRA] A2+) - which is also the engineering, procurement and construction (EPC) and operations and maintenance (O&M) contractor for the 14.30-MW(AC) solar power project developed by the company. The rating also factors in the limited demand risks due to the long-term power purchase agreements (PPA's) with customers/offtakers for a period of 25 years as well as the low regulatory risks as the project has been developed under the captive mode.

ICRA also notes the strong credit profile of the counterparties. Hence, a timely collection from them is expected. The rating also considers the competitive PPA tariff which is at a discount to the state grid tariff rates. Further, comfort is drawn from the company's debt coverage metrics that are expected to remain comfortable over the debt repayment tenure.

ICRA notes that Huoban 11 - along with Huoban Energy 5 Private Limited, Huoban Energy 6 Private Limited, Huoban Energy 8 Private Limited, Huoban Energy 9 Private Limited, Huoban Energy 10 Private Limited and FP West Solar Private Limited –are part of a cash surplus pooling arrangement for which an intercompany agreement has been signed.

The rating is, however, constrained by the limited track record of Huoban 11 as the solar plant became operational from February 2025 and the sensitivity of the company's cash flows and debt protection metrics to its generation performance, given the single-part tariff under the PPAs. Any adverse variation in weather conditions and module performance may impact the PLF levels and consequently the cash flows. This is amplified by the geographic concentration of the asset as the entire capacity is in Maharashtra. The ability of the company to demonstrate generation in line with or above the design PLF levels on a sustained basis remains important.

Further, the company's operations remain exposed to regulatory risks associated with any changes in forecasting & scheduling regulations, captive project norms and open access charges. Any significant increase in open access charges or imposition of new charges would impact the competitiveness of the tariff offered under the PPAs.

The Stable outlook reflects ICRA's opinion that the company would benefit from the long-term PPAs, the generation being in line with the P-90 estimates, expected satisfactory collections from the offtakers and the parentage of the Fourth Partner Energy Group.

Key rating drivers and their description

Credit strengths

Operational and financial strengths from parentage - Huoban 11 is a subsidiary of Huoban Private Limited (HPL), which is a wholly owned subsidiary of FPEPL that has an established track record in the solar power sector. FPEPL is backed by strong sponsors which provides financial flexibility to the Group in securing equity and debt funding. In addition, ICRA expects FPEPL to extend support to the company in the event of any cash flow mismatch due to reduced generation or collections.

Revenue visibility with long term PPA at fixed tariffs with strong counterparties – The company has tied up long-term PPAs (25 years) for its entire capacity at fixed tariffs with strong counterparties, ensuring revenue visibility. Given the strong credit profiles of the counterparties, a timely collection from them is expected.

Competitive tariff at a discount to grid tariff – The PPA tariff offered by the company is at a significant discount to the state grid tariff rates, which enables the customers to realise significant savings. In addition, while the state grid tariffs are expected to show an inflationary trend, the tariff of the project is fixed and is, therefore, expected to remain competitive over the project term.

Satisfactory debt coverage metrics – The project's debt coverage metrics are expected to be adequate with the cumulative DSCR estimated at 1.20x over the debt tenure, supported by the availability of long-term PPAs, the long tenure of the debt and competitive interest rates.

Credit challenges

Limited track record of project performance – The solar power plant has a very limited track record as it commenced operations from February 2025. The performance, going forward, will remain a key monitorable.

Cash flows exposed to risk of irradiance levels and interest rate environment – The power production and, thus, the cash flow generation of solar power projects remains exposed to the irradiance levels. While the company does not have control over weather-related factors, the cash flows will face headwinds if the irradiance is lower-than-expected because of the one part nature of the tariff. The cash flows would also remain susceptible to the changes in interest rates for the loan contracted by the entity as the tariff is fixed in nature while the interest rates on the term loans are variable.

Liquidity position: Adequate

The company's liquidity profile is expected to remain adequate with sufficient buffer between the cash flows from the project and debt servicing obligations, supported by a satisfactory generation performance and timely realisation of payments. The liquidity is further by supported by cash balances, including debt service reserve account (DSRA) of ~Rs. 1.72 crore as on February 28, 2025.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if Huoban 11 exhibits a generation performance in line with the P-90 estimates, along with receiving timely payments from the customers, leading to healthy debt coverage metrics. Also, the rating would remain sensitive to the credit profile of its ultimate parent, FPEPL.

Negative factors – Pressure on the rating could arise if the actual PLF remains below the P-90 estimate on a sustained basis, reducing the cumulative DSCR to below 1.10 times. Also, any delays in payments by the customers adversely impacting the company's liquidity position would be a negative trigger. Further, the rating may be revised downwards if the credit profile of its ultimate parent i.e., FPEPL, weakens.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	[Corporate Credit Rating Methodology](#) [Power-Solar](#)
Parent/Group support	Parent Company: Fourth Partner Energy Private Limited. The rating assigned to Huoban 8 factors in the high likelihood of its parent extending financial support to it because of the close business linkages between them
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

Huoban 11 is a subsidiary of HPL, which is a wholly-owned subsidiary of FPEPL.

Huoban 11 has set up a 21.45-MWdc (14.30 MWac) ground-mounted solar power plant at Dhule, Maharashtra, under the group captive model expected which commenced operations from February 2025. The offtakers have signed 25-year power purchase agreements (PPA) at a fixed tariffs. To comply with the captive regulations, the customers have subscribed to the company's shareholding.

Key financial indicators (audited)

Huoban 11	FY2024
Operating income	0.0
PAT	-0.01
OPBDIT/OI	NA
PAT/OI	NA
Total outside liabilities/Tangible net worth (times)	NA
Total debt/OPBDIT (times)	NA
Interest coverage (times)	NA

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2025)		Chronology of rating history for the past 3 years					
			FY2025	FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 17, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	76.00	[ICRA]BBB+ (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' 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**	October 2024	NA	FY2045	76.00*	[ICRA]BBB+ (Stable)

*Source: Company, *Sanctioned term loan is Rs 75.95 crore*

[*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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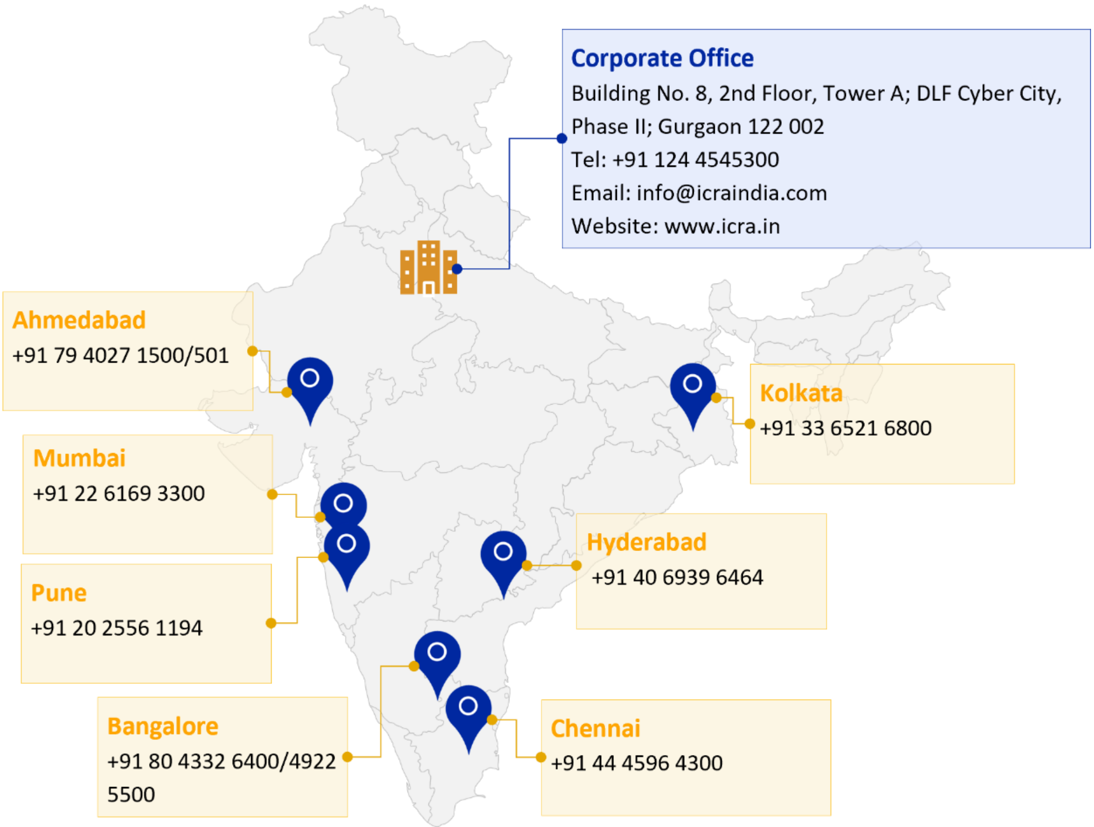

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