April 03, 2025

Huoban Energy 2 Private Limited: [ICRA]A- (Positive) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	47.00	[ICRA]A- (Positive); assigned
Total	**47.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating for Huoban Energy 2 Private Limited (Huoban 2) factors in the strong operational and financial linkages with the ultimate parent - Fourth Partner Energy Limited (rated [ICRA]A-(Positive)/[ICRA]A2+) - which is also the engineering, procurement and construction (EPC) and operations and maintenance (O&M) contractor for the ~14.16-MW(DC) solar power project developed by the company. The rating factors in the limited demand risks due to a long-term power purchase agreement (PPA) with a customer/offtaker for a period of 25 years as well as the low regulatory risks as the project has been developed under the captive mode. Further, the generation performance of the solar asset has been satisfactory since commissioning in March 2023 with the PLF levels being in line with the P-90 estimates. The rating also considers the timely collections from the counterparty since commissioning and 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.

The rating is, however, constrained by the exposure to a single customer, which has a modest financial profile. Hence, a timely receipt of payments from the customer, going forward, remains a key monitorable. The rating is also constrained by the sensitivity of the company's cash flows and debt protection metrics to its generation performance, given the single-part tariff under the PPA. 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 a generation in line with or above the design PLF levels on a sustained basis remains important.

Further, the company's operations remain exposed to the regulatory risks associated with 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 PPA.

The Positive outlook on the long-term rating factors in an expected improvement in the credit profile of the ultimate parent company, following the equity-raise from reputed investors such as International Finance Corporation (IFC), Asian Development Bank (ADB) and Deutsche Investitionsund Entwicklungsgesellschaft (DEG, a subsidiary of KfW Group). Further, the company would benefit from the long-term PPA, satisfactory collections from the offtaker and expectation of the generation being in line with the P-90 estimates.

Key rating drivers and their description

Credit strengths

Operational and financial strengths from parentage - Huoban 2 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. Hence, Huoban 2 is expected to benefit from the operational and financial strengths of its parentage. Further, 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 from long-term PPA at fixed tariff – The company has tied up a long-term PPA (25 years) for its entire capacity at a fixed tariff with a customer, ensuring revenue visibility and low offtake risk.

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 customer 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 ~1.25-1.3x over the debt tenure, supported by the availability of a long-term PPA, the long tenure of the debt and competitive interest rates.

Credit challenges

Counterparty credit risk – The long-term PPA with a single customer having a modest credit profile exposes the company to counterparty credit risk. Hence, timely collections from counterparty, as seen in the past, remains a key monitorable.

Cash flows exposed to risk of irradiance levels and interest rate environment – The power production and, thus, the cash flow from 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 single part nature of the tariff. 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. 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.

Regulatory risk – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for solar power projects. Also, the projects are exposed to any revision in regulations for captive projects and open access charges, which could impact the competitiveness of the tariff offered.

Liquidity position: Adequate

The company's liquidity profile is expected to remain adequate with significant buffer between the cash flows from operations 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 a debt service reserve account (DSRA) of ~Rs. 4.51 crore as on March 26, 2025.

Rating sensitivities

Positive factors – ICRA could upgrade Huoban 2's rating if the company reports a generation performance in line or above the P-90 estimates, along with timely payments from the customer, 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 1.15 times. Also, any delays in payments by the customer 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	Corporate Credit Rating Methodology Power-Solar
Parent/Group support	Parent Company: Fourth Partner Energy Private Limited. The rating assigned to Huoban 2 factors in the high likelihood of its parent extending financial support to it, in case of any requirements, 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 2 is a subsidiary of Huoban Private Limited, which is a wholly-owned subsidiary of FPEPL, rated [ICRA]A-(Positive)/[ICRA]A2+.

Huoban 2 has set up a 14.16-MWdc ground-mounted solar power plant at Dhule, Maharashtra, under the group captive model, which was commissioned in March 2023. The offtaker has signed a 25-year PPA with an offtaker at a fixed tariff.

Key financial indicators (audited)

Huoban 2	FY2024
Operating income	6.5
PAT	-2.2
OPBDIT/OI	82.2%
PAT/OI	-33.8
Total outside liabilities/Tangible net worth (times)	20.0
Total debt/OPBDIT (times)	9.3
Interest coverage (times)	1.1

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 (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Apr 03, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	47.00	[ICRA]A- (Positive)	-	-	-	-	-	-

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**	March 2023	NA	FY2043	47.00	[ICRA]A- (Positive)

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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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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