

September 23, 2025

Huoban Energy 2 Private Limited: Rating upgraded to [ICRA]A (Stable); outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based – Term loan	47.00	47.00	[ICRA]A (Stable); upgraded from [ICRA]A- (Positive) and outlook revised to Stable from Positive
Total	47.00	47.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has arrived at the rating of Huoban Energy 2 Private Limited (HE-2) by assessing the cash flows of 11 other special purpose vehicles (SPVs) - Huoban Energy 1 Private Limited, Huoban Energy 3 Private Limited, Huoban Energy 4 Private Limited, Huoban Energy 5 Private Limited, Huoban Energy 6 Private Limited, Huoban Energy 7 Private Limited, Huoban Energy 8 Private Limited, Huoban Energy 9 Private Limited, Huoban Energy 10 Private Limited, Huoban Energy 11 Private Limited and FP West Private Limited. These 12 SPVs together, including HE-2, are part of a co-obligor structure, herein referred to as the group or the pool. The co-obligors have entered into a cash-pooling arrangement, wherein a shortfall in the cash flows for servicing the debt obligations by any of these SPVs can be met through the cash surplus available in the other SPVs of the pool. Moreover, the 12 SPVs have cross-default linkages among them.

The upgrade of the rating of HE-2 follows the upgrade in the rating of its parent company i.e., Fourth Partner Energy Private Limited (FPEPL) to [ICRA]A (Stable)/[ICRA]A2+ from [ICRA]A- (Positive)/[ICRA]A2+. FPEPL's credit profile has improved following the \$100-million primary equity infusion into the company by the consortium of International Finance Corporation (IFC), Asian Development Bank (ADB) and Deutsche Investitions-und Entwicklungsgesellschaft (DEG, a subsidiary of KfW Group) in January 2025. The consortium is expected to infuse another \$100 million in FPEPL over the next one year, which will enable the company to further scale up its renewable energy portfolio, thereby improving its revenues and profitability. The pool is expected to benefit from the operational and financial strengths derived from its parent entity, FPEPL.

The rating factors in the satisfactory operational performance of the solar assets in the group's portfolio, comprising ~135-MW capacity across the 12 project SPVs. The projects in the group have a well-diversified offtaker base present across diverse industries. The rating is also backed by limited offtake risk due to the long-term power purchase agreements (PPAs) signed with commercial and industrial (C&I) customers with strong credit profiles for a large proportion of the group's capacity. The projects under the pool have demonstrated a satisfactory track record of payments from the offtakers, mitigating the counterparty credit risk to a large extent. Further, the weighted average PPA tariff for the portfolio remains competitive compared to state grid tariff rate for the C&I customers.

At a pool level, the performance of the operational SPVs has been healthy with generation level being close to P90 level in FY2024 and FY2025. Although for the SPVs in the pool having more than a year's track record of operations, there has been some underperformance in trailing 12 months ending June 2025 owing to lower irradiation on account of early monsoons. Nonetheless, the ability of all the projects to demonstrate a generation performance in line or above the appraised estimate shall remain the key rating monitorable. Further, the payment from the offtakers across the pool remains timely, thereby enabling the pool to maintain healthy liquidity. The rating also factors in the benefits arising from the Fourth Partner's technical experience based on its established track record in the solar power sector.

The rating continues to factor in the satisfactory generation performance of the 14.16-MWp (DC) solar power plant of HE-2 at Dhule, Maharashtra, since commissioning in March 2023. The PLF performance in FY2024 and FY2025 has remained in line with the P-90 estimates. The rating also takes comfort from the limited demand and tariff risks due to a long-term power purchase agreement (PPA) with an industrial customer for the entire capacity at a fixed tariff under the captive mode. 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 counterparty credit risk on account of exposure to a single customer. 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 flow 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.

ICRA notes that HE-2's debt coverage metrics remain exposed to the interest rate movement as the floating interest rates are subject to regular resets. Also, the lock-in period under the PPA is lower than the debt repayment tenure of ~19 years. Further, the termination payments under the PPA do not cover for the entire debt outstanding. Nonetheless, comfort can be drawn from the competitive tariff offered by the company and the parent's track record in securing PPAs with large industrial and commercial customers.

Lastly, the company's operations remain exposed to the regulatory risks associated with changes in forecasting and 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 Stable outlook on the long-term rating reflects ICRA's opinion that the company and the co-obligor group would benefit from the long-term PPAs, satisfactory operating performance and collections from the offtakers, and the parentage of the Fourth Partner Energy Group.

Key rating drivers and their description

Credit strengths

Strong financial flexibility and operational strengths by virtue of parentage and co-obligor structure - The SPVs in the co-obligor structure have a surplus cash flow sharing mechanism in place. Thus, when there is a shortfall in any of the SPVs in the co-obligor structure, the remaining SPVs will share their surplus cash with the SPV under stress. This reduces the probability of a cash flow timing mismatch. Also, in case of a force majeure event in any project, impacting the power generation/cash flows, the other SPVs can share their surplus cash with the SPVs under stress. Additionally, the SPVs in the pool are subsidiaries 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 pool in securing equity and debt funding. Hence, the pool 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 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 more than 1.25x 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 company has tied up a long-term PPA (25-year) for the entire 14.16-MWp capacity at a fixed tariff with a single offtaker consumer, which has a modest credit profile, and hence remains exposed to delays in payments by the offtaker on account of payment issues/disputes/deterioration in credit profile. Hence, a timely collection from the counterparty will continue to be a monitorable. Nevertheless, the payment from the counterparty remains timely and regular.

Risk of cash flow mismatch owing to lower lock-in period under PPA in relation to debt tenure – The lock-in period under the PPA is lower than the debt repayment tenure of ~19 years, which could lead to the risk of cash flow mismatch. Also, the termination payments under the PPA do not fully cover for the debt outstanding. Nonetheless, comfort can be drawn from the highly competitive tariff offered by the company to its customer against the industrial grid tariff, the track record of the parent in securing PPAs with large industrial and commercial customers and the notice period available at the time of PPA termination to enable the entity to replace the customer. Further, the lender has the option to exercise cash sweep, wherein the surplus cash can be utilised to prepay the debt, thereby reducing the effective debt repayment tenure.

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 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 policies & regulations for captive projects as well as revision in 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 flow from the project and debt servicing obligations, supported by a satisfactory generation performance and timely realisation of payments. The liquidity is further supported by cash balances, including a debt service reserve account (DSRA) of ~Rs. 2.74 crore as on May 31, 2025. Also, the liquidity is supported by the group's DSRA of Rs. 20.6 crore, and cash and liquid funds of Rs. 24.02 crore as on May 31, 2025, at the pool level.

Rating sensitivities

Positive factors - ICRA could upgrade the company’s rating if its generation performance is in line or above the P-90 estimates and the payments from the customers are timely, leading to an improvement in the debt coverage metrics on a sustained basis. Also, the rating would remain sensitive to the credit profile of its ultimate parent, FPEPL, and other SPVs in the co-obligor pool.

Negative factors - Pressure on the company’s rating could arise if the actual generation performance remains below the P-90 estimate, reducing the cumulative DSCR to below 1.20 times on a sustained basis. Also, any delays in payments by the customers adversely impacting the liquidity of the company and the pool would be a negative trigger. Further, the rating may be revised downwards if the credit profile of its ultimate parent i.e., FPEPL weakens, or if the credit profile of the other SPVs in the co-obligor pool weakens.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology- Power - Solar and Wind
Parent/Group support	ICRA has consolidated the financials of the 12 SPVs – Huoban Energy 1 Pvt. Ltd., Huoban Energy 2 Pvt. Ltd., Huoban Energy 3 Pvt. Ltd., Huoban Energy 4 Pvt. Ltd., Huoban Energy 5 Pvt. Ltd., Huoban Energy 6 Pvt. Ltd., Huoban Energy 7 Pvt. Ltd., Huoban Energy 8 Pvt. Ltd., Huoban Energy 9 Pvt. Ltd., Huoban Energy 10 Pvt. Ltd., Huoban Energy 11 Pvt. Ltd., FP West Solar Private Limited – to arrive at a notional group rating, after factoring in the support available from the parent, FPEPL, factoring in the high likelihood of its parent extending extraordinary financial support to the pool because of the close business linkages among them. The notional group rating is then used to notch up the individual SPV ratings, factoring in implicit support, given the expected fungibility of surplus cash among the SPVs
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

HE-2 is a subsidiary of Huoban Private Limited, which is a wholly-owned subsidiary of FPEPL. HE-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 a company at a fixed tariff.

About the co-obligor pool

The SPVs in the co-obligor pool include Huoban Energy 1 Private Limited, Huoban Energy 2 Private Limited, Huoban Energy 3 Private Limited, Huoban Energy 4 Private Limited, Huoban Energy 5 Private Limited, Huoban Energy 6 Private Limited, Huoban Energy 7 Private Limited, Huoban Energy 8 Private Limited, Huoban Energy 9 Private Limited, Huoban Energy 10 Private Limited, Huoban Energy 11 Private Limited and FP West Solar Private Limited. The combined portfolio includes multiple solar operational projects with a capacity of ~135 MW in Maharashtra. The SPVs in the pool have signed PPAs (with lock in period varying from 10-25 years) with several reputed commercial and industrial customers for the entire capacity under the group captive model.

Key financial indicators (audited)

Huoban Energy 2 (Standalone)	FY2024	FY2025
Operating income	6.52	8.49
PAT	-2.20	-3.01
OPBDIT/OI	82.2%	74.4%
PAT/OI	-33.8%	-35.5%
Total outside liabilities/Tangible net worth (times)	20.02	142.73
Total debt/OPBDIT (times)	9.32	10.03
Interest coverage (times)	1.09	1.11

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

Co-obligor Group (Consolidated*)	FY2024	FY2025
Operating income	42.07	58.48
PAT	-16.47	-18.26
OPBDIT/OI	76.9%	75.4%
PAT/OI	-39.1%	-31.2%
Total outside liabilities/Tangible net worth (times)	9.12	9.70
Total debt/OPBDIT (times)	10.19	12.34
Interest coverage (times)	1.01	1.04

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

*ICRA has arrived at the consolidated financials of the co-obligor group based on the consolidation of the standalone financial performance of the 12 SPVs

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							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Sep 23, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	47.00	[ICRA]A (Stable)	Apr 03, 2025	[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'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	May 2023	NA	FY2043	47.00	[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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