

September 24, 2025

## VSV Renewables Private Limited: Rating upgraded to [ICRA]A-; outlook revised to Stable from Positive

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund based term loan	181.85	181.85	[ICRA]A-; upgraded from [ICRA]BBB+; outlook revised to Stable from Positive
<b>Total</b>	<b>181.85</b>	<b>181.85</b>	

\*Instrument details are provided in Annexure I

### Rationale

The upgrade in the long-term rating of VSV Renewables Private Limited (VRPL) follows an 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. VRPL is expected to benefit from the operational and financial strengths available from the parent, FPEPL.

The rating action also considers an expected improvement in the debt service coverage ratio (DSCR) of the company post the repayment of the guaranteed emergency line of credit loan (GECL) in FY2026. The debt coverage metrics will be further supported by a reduction in operations & maintenance (O&M) cost in the last one year due to the various measures taken by the company.

The rating also takes comfort from the limited demand and tariff risks for VRPL due to the presence of long-term power purchase agreements (PPAs) for its entire 87.7-MWp solar power plants with reputed offtakers at largely fixed tariffs. VRPL has a diversified asset base across multiple states with offtakers from institutional, industrial and commercial segments, including auto ancillaries, retail stores, textiles, steel, FMCG etc. Further, the tariffs offered by VRPL under the PPAs remain highly competitive and at a discount to the grid tariffs.

The rating is, however, constrained by the subdued generation performance of its rooftop solar power portfolio with the PLF remaining below the P-90 estimates in the last three years due to site-specific issues and weather conditions. This has led to subdued debt coverage metrics with the DSCR remaining below 1.1x in the past. However, the debt coverage metrics are expected to improve and remain at 1.2-1.25x post the repayment of the GECL loan in FY2026. The generation risk is partially mitigated by the geographic diversity of the assets; however, ensuring effective O&M of the small-sized solar assets at multiple locations remains important.

The rating is, further, constrained by the sensitivity of the generation to solar irradiation levels as the revenues are linked to the actual units generated and exported, in view of the single-part tariff structure in the PPAs. Thus, VRPL's ability to maintain a satisfactory generation performance on a sustained basis remains a key rating monitorable.

The company is also exposed to interest rate risks, given the leveraged capital structure, fixed PPA tariffs and the floating interest rates, subject to regular resets. As the projects are in the customer premises, the flexibility to change the customers in case of any event of default would be limited, unlike open access-based projects. However, this risk is offset by the adequate

termination payments under the PPAs. In such instances, a timely receipt of the termination payments from the customers would be critical.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that VRPL would benefit from the presence of long-term PPAs for its entire portfolio with a diversified customer base.

## Key rating drivers and their description

### Credit strengths

**Operational and financial strengths by virtue of parentage** - VRPL is a wholly-owned subsidiary of FPEPL that has an established track record in the renewable energy sector. As of June 2025, FPEPL has a total up-capacity (operating & under construction) of 2,118 MWp (solar – 1,613 MWp & wind – 504 MWp) under various SPVs, of which 1,243 MWp (solar – 1,056 MWp & wind – 188 MW) has been commissioned and the balance capacity is under various stages of construction. FPEPL is backed by strong sponsors, which provide financial flexibility to the Group in securing equity and debt funding. FPEPL is expected to support VRPL in case of any cash flow mismatch.

**Diversified solar portfolio across multiple locations and offtakers** - VRPL had installed ~87.7 MWp of solar power plants as on March 31, 2025. The company's asset base is spread across multiple states with reputed customers in varied sectors such as institutions, auto ancillaries, retail stores, textiles, steel, FMCG etc.

**Revenue visibility from firm long-term PPAs for existing portfolio** - VRPL has signed long-term PPAs (14-25 years) for its existing portfolio at largely fixed tariffs, providing revenue visibility and limiting the demand and pricing risks associated with its existing portfolio. The PPAs include a provision for termination payments in case of any event of default.

**Competitive tariff rate at a discount to the grid tariff; reputed customer profile** - The weighted average tariff rate is ~Rs. 4.09 per unit for the existing portfolio and is at a discount to the respective grid tariff rates as determined by various state electricity regulatory bodies, limiting the offtake risks. Further, it enjoys a reputed and diversified customer profile, restricting the counterparty risks to an extent.

### Credit challenges

**Moderate performance of operational assets** - The generation performance of its rooftop solar power portfolio has remained subdued with the PLF remaining below the P-90 estimates in the last two years due to site-specific issues and weather conditions. Hence, the DSCR remained below 1.1x in the last two years. However, the DSCR is expected to improve and remain at 1.2-1.25x post the repayment of the GECL loan in FY2026. Hence, VRPL's ability to improve the generation performance of its assets remains important.

**Debt metrics for solar projects sensitive to PLF levels** - The key factors that impact the operations of a solar plant are solar irradiation levels, losses in PV systems due to temperature and climatic conditions, design parameters of the plant, inverter efficiency and module generation due to ageing. The debt metrics of the company are exposed to the generation level, given the one-part structure of the PPAs.

**Exposed to interest rate risks** - The interest rates on the term loans availed by the company for its projects are floating and subject to regular resets. The debt coverage metrics remain exposed to the movements in interest rates because of the largely fixed nature of the tariffs under the PPAs and a leveraged capital structure.

### Liquidity position: Adequate

The company's liquidity profile is expected to remain adequate with sufficient buffer between the cash flow from operations and debt servicing obligations, supported by a satisfactory generation performance and timely realisation of payments. The liquidity is further supported by cash balances and a two-quarter debt service reserve account (DSRA) amount of ~Rs. 24.4 crore as on July 31, 2025.

## Rating sensitivities

**Positive factors** – ICRA could upgrade VRPL’s rating if the company demonstrates a satisfactory generation performance for its portfolio, along with timely payments by the customers, leading to an improvement in the debt coverage metrics. Further, an improvement in the credit profile of the parent (FPEPL) would be a positive trigger.

**Negative factors** – Pressure on VRPL’s rating would arise in case of underperformance in generation by the solar power projects against the historical trends that would weaken the debt coverage metrics on a sustained basis. Also, any delays in payments by customers adversely impacting the liquidity position of the company would be a negative trigger. A weakening of linkages with the parent or a deterioration of the credit profile of the parent (FPEPL) would also weigh on the rating.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Power - Solar and Wind</a>
Parent/Group support	Parent/Group Company: Fourth Partner Energy Private Limited. The rating assigned to VRPL 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 statements of the rated entity.

## About the company

VRPL was established in December 2017 as a wholly-owned subsidiary of FPEPL. It is an asset holding company, primarily for the rooftop solar power plants developed by FPEPL under the distributed model (opex). As on March 31, 2025, the company manages a portfolio ~87.7 MWp distributed across India.

## Key financial indicators

VRPL Standalone	FY2024	FY2025
Operating income	45.23	41.60
PAT	-12.58	-18.72
OPBDITA/OI	74.62%	74.15%
PAT/OI	-27.80%	-44.99%
Total outside liabilities/Tangible net worth (times)	12.22	52.73
Total debt/OPBDITA (times)	8.23	8.85
Interest coverage (times)*	1.07	0.99

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. Crore; \*includes interest on promoter loan as well as external loan

**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								
Instrument	Type	Amount rated (Rs. crore)	FY2026			FY2025		FY2024		FY2023	
			Sep 24, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Term loan</b>	Long term	181.85	[ICRA]A-(Stable)	06-May-2025	[ICRA]BBB+(Positive)	30-Apr-2024	[ICRA]BBB+(Stable)	-	-	31-Jan-2023	[ICRA]A-(Stable)
<b>Unallocated</b>	Long term	-	-	-	-	30-Apr-2024	[ICRA]BBB+(Stable)	-	-	31-Jan-2023	[ICRA]A-(Stable)

## Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Fund based – Term loan</b>	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/Sanction	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	Dec 2018	-	Dec 2033	29.09	[ICRA]A- (Stable)
NA	Term loan	Nov 2019	-	Jul 2034	28.10	[ICRA]A- (Stable)
NA	GECL	Jun 2021	-	Jan 2026	4.26	[ICRA]A- (Stable)
NA	Term loan	Jun 2021	-	Mar 2036	120.40	[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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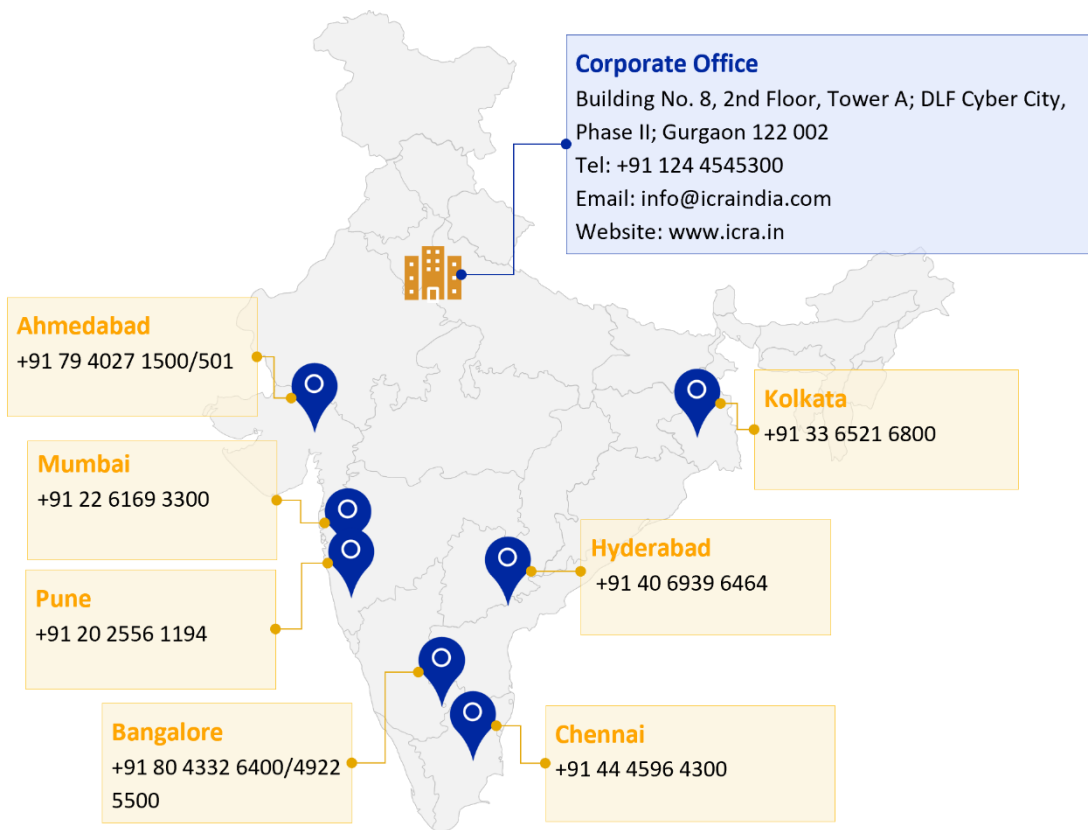
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