

February 05, 2026

## FIRST ENERGY TN 1 PRIVATE LIMITED: Rating assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based – Term loan	85.00	[ICRA]A+ (Stable); assigned
<b>Total</b>	<b>85.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

ICRA's rating assignment for the bank facilities of First Energy TN 1 Private Limited (FE TN 1) takes a standalone view of its business and financial risk profile along with an implicit support of its parent, First Energy Private Limited (FEPL), which is a wholly owned subsidiary of Thermax Limited (Thermax). The rating favourably considers Thermax's reputed position in the energy and environmental solutions market, its diversified product portfolio and its healthy financial risk profile, along with its demonstrated commitment to the clean energy segment and its strategic focus on expanding its renewable energy footprint through the First Energy platform. FEPL has an established track record in the renewable energy sector with an operational portfolio consisting of solar, wind and hybrid projects with a total operational capacity of 235 MWp and an under-construction solar, wind and hybrid portfolio of 578 MWp. FEPL aims to achieve an operational capacity of 1 GWp by end of FY2028 and has operational and financial support commitment extended by Thermax for its portfolio expansion. The rating also derives comfort from the established track record, technical capabilities and execution experience of the Group in energy solutions, including distributed renewable energy projects for commercial and industrial consumers. These strengths are further complemented by the Group's long-term strategic intent to scale up renewable energy capacities and enhance its presence in energy transition-linked businesses.

The ratings draw comfort from adequate revenue visibility owing to the presence of long-term power purchase agreements (PPAs) for 25 years with reputed industrial customers for a large part of the capacity, at a fixed tariff under the group captive mode. The project was commissioned in three phases, with the third phase being commissioned in August 2025. The generation performance was below the P90 level in FY2025 and the last twelve months ending October 2025, owing to lower solar radiation due to heavy monsoons as well as ongoing repowering work till August 2025. However, the same is expected to stabilise going forward. The offtakers have a satisfactory credit profile, which has resulted in timely receipt of payments since commissioning. Further, the tariff offered by the company is lower than the state grid tariff rates, which translates into an adequate savings cushion for the offtaker.

The rating remains constrained by the moderate debt coverage metrics, with the cumulative debt service coverage ratio (DSCR) expected to continue at ~1.17x over the debt tenure. However, comfort can be derived from a debt service reserve account (DSRA) equivalent to debt obligations of one quarter (principal and interest) and cash sweep mechanism if cumulative DSCR (on a consolidated basis including two other special purpose vehicles (SPVs) of FEPL) exceeds 1.2x provides additional comfort. ICRA notes that FE TN 1'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 ~20 years. Further, the termination payments under the PPA do not cover the entire outstanding debt. Nonetheless, comfort can be drawn from the competitive tariff offered by the company and the parent's track record of securing PPAs with large industrial and commercial customers.

Moreover, the rating is constrained by the sensitivity of generation to the solar irradiation levels, given that the revenues are linked to the actual units generated and exported in view of the single-part tariff structure of the PPA. Also, the ability of the

Group to ensure proper operation and maintenance (O&M) of the solar assets of the project, in line with the stipulated performance parameters in the O&M agreements, remains crucial for the company.

The company continues to be exposed to the regulatory risk pertaining to changes in open-access charges levied for captive solar assets by the respective state electricity regulatory commissions (SERCs). The levy of these charges in the future, while payable by the customer, will bring down the tariff competitiveness of the project and will be a key rating sensitivity. The attractive PPA tariff and the economics of such tariff vis-à-vis the grid tariff, the strong financial profile of the offtakers and the presence of the termination clause in the PPA act as the risk mitigants.

The Stable outlook on the long-term rating reflects the revenue visibility provided by the long-term PPAs, a satisfactory generation performance of the operational asset, the timely cash collections expected from the offtakers and the parentage of the First Energy Group.

## Key rating drivers and their description

### Credit strengths

**Strong parentage of FEPL, which is ultimately held by Thermax** – FE TN 1 is an SPV of FEPL, which is backed by Thermax. The rating factors in the benefits of strong parentage, given that FEPL is 100% owned by Thermax. FEPL has demonstrated a consistent track record of developing and stabilising renewable power projects over the years, with an operational portfolio of 235 MWp and an under-construction portfolio of 578 MWp.

Thermax, the ultimate holding company, is a global conglomerate with a diverse portfolio across industrial products, industrial infrastructure, green solutions and chemicals segment. Thermax's intent to grow FEPL to 1 GW by March 2028 signifies FEPL's strategic importance to the group.

**Healthy revenue visibility from firm PPAs at competitive tariff** - The project is backed by 25-year PPAs with six offtakers that stipulate a lock in period of 10-15 years. The PPAs have a fixed annual tariff that provides revenue visibility for the project and limits the offtake and tariff risks. Further, as per the terms of the PPA, an increase in open-access charges will be borne by the offtakers.

**Low counterparty credit risk**- The counterparty credit risk for the portfolio is low on account of the offtakers' healthy credit profile. The offtakers have been making timely payments in the past, within 10-15 days of raising the bill. The discount offered to the grid tariff translates into an adequate cushion for replacing the customers, should the need arise. Further, the favourable economics of the PPA tariff vis-à-vis the grid tariff for the offtakers is a mitigating factor.

### Credit challenges

**Single-asset operations; cash flow vulnerable to variability in solar irradiance** – FE TN 1 is entirely dependent on power generation from the solar power project for its revenues and cash accruals, given the single-part tariff in the PPAs. Therefore, it remains exposed to the variability in solar irradiance and equipment performance. The risk is amplified by the geographic concentration of the asset as the entire capacity is at a single location.

**Exposure to interest rate and regulatory risks**- The company's capital structure remains leveraged with a major portion of the cost funded through debt. The interest rate is variable and resets after every quarter, which exposes the company to the risk of higher interest cost at the time of each reset during the tenor of the loan. As a result, in the long term the company's debt coverage metrics remain exposed to any movement in interest rate. The company's operations are also exposed to regulatory risks pertaining to the recently proposed tightening of scheduling and forecasting norms by the Central Electricity Regulatory Commission for solar power projects. Also, the project is exposed to any revision in policies and regulations for captive projects as well as revision in open-access charges, which could impact the competitiveness of the tariff offered.

**Risk of cash flow mismatch owing to lower lock-in period under the PPA in relation to debt tenure-** The lock-in period under the PPAs signed by FE TN 1 is 10- 15 years, lower than the debt repayment tenure of ~25 years, which could result in the risk of cash flow mismatch. Also, the termination payments under the PPAs do not fully cover the outstanding debt. Nonetheless, comfort can be drawn from the competitive tariffs offered by the company to its customers against the High Tension industrial grid tariff, the track record of the sponsor of securing PPAs with large industrial and commercial customers and the notice period available at the time of PPA termination to enable the company to replace the offtaker. 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.

**Moderate debt coverage indicators-** The DSCR estimates for the project are expected to remain moderate, with cumulative DSCR of ~1.17 times due to high project cost. However, comfort is drawn from presence of DSRA equivalent to one quarter of debt obligation.

### Liquidity position: Adequate

The liquidity position of the company is adequate, mainly on account of timely realisations from the offtakers, expected continuation of satisfactory generation performance, and no projected capital expenditure (capex) spends in FY2026 and FY2027. The projected cash flows from operations are anticipated to remain adequate to meet its debt-servicing obligations. Additionally, it has maintained a DSRA to cover one quarter of debt service obligations. Further, ICRA expects FEPL to extend financial support to FE TN 1, as and when required.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the company's rating if the generation performance remains in line or above the P90 estimates on a sustained basis, or if there is a material reduction in the debt levels and an improvement in its debt coverage metrics. Improvement in the credit profile of its parent, FEPL, could also lead to a rating upgrade.

**Negative factors** – Pressure on the company's rating could arise if there are adverse regulatory developments that affect the tariff competitiveness of the project, or if there is a deterioration in its operational performance, pulling down the cumulative DSCR (for external debt) to below 1.15 times on a sustained basis. A weakening in the credit profile of FEPL and/or any weakening in the linkages with the parent will also put pressure 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: First Energy TN 1 Pvt Ltd , which is owned by First Energy Pvt Ltd (a 100% subsidiary of Thermax Limited); ICRA expects FEPL to be willing to extend financial support to the company, if required, given the business linkages, strategic importance and the willingness shown by the parent to support it.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

## About the company

FE TN1 has developed a solar power project of 17 MWac (23 MWp) capacity in Sivagangai District in Tamil Nadu. The project was commissioned in three phases. The first phase consisting of 10 MWac capacity was commissioned in December 2022, the second phase (2 MWac) in February 2023 and the third phase (5 MWac) in August 2025. The company has a 25-year long-term PPA with six offtakers for 14.77 MWac capacity at fixed tariffs for 25 years under a group captive arrangement.

### Key financial indicators (audited)

FE TN1 (standalone)	FY2024	FY2025
Operating income (OI)	8.45	8.55
PAT	-0.56	-0.55
OPBDIT/OI	88.89%	84.56%
PAT/OI	-6.61%	-6.40%
Total outside liabilities/Tangible net worth (times)	3.08	4.25
Total debt/OPBDIT (times)	8.12	11.25

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

Instrument	Type	Current (FY2026)		Chronology of rating history for the past 3 years							
		FY2026		FY2025		FY2024		FY2023			
		Amount rated (Rs. crore)	Date	Date	Rating	Date	Rating	Date	Rating		
Fund-based – Term loan	Long term	85.00	Feb 05, 2026	[ICRA]A+ (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'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	Long term – Fund-based – Term loan	Dec 23, 2025	-	Dec 31, 2044	83.39	[ICRA]A+ (Stable)
NA	Long term – Fund-based – Term loan- Unutilised	-	-	-	1.61	[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**

## ANALYST CONTACTS

**Girishkumar Kadam**

+91 22 6114 3441

[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Ankit Jain**

+91 124 4545 865

[ankit.jain@icraindia.com](mailto:ankit.jain@icraindia.com)

**Asmita Pant**

+91 124 4545 856

[asmita.pant@icraindia.com](mailto:asmita.pant@icraindia.com)

**Vaibhav Arora**

+91 124 4545 386

[vaibhav.arora@icraindia.com](mailto:vaibhav.arora@icraindia.com)

**Venkatesh Joshi**

+91 226169 3379

[venkatesh.joshi@icraindia.com](mailto:venkatesh.joshi@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2026 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.