

March 26, 2026

## Sun Drops Energia Limited: CE ratings reaffirmed; partial CE rating withdrawn and simultaneously non-CE ratings assigned, outlook revised to Stable from Positive; Rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Term loan	85.52	78.03	[ICRA]A(CE) (Stable); reaffirmed; outlook revised from Positive
Long term – Fund based - Cash credit	10.00	-	[ICRA]A(CE) (Stable); reaffirmed and withdrawn; outlook revised from Positive
Long term/Short term – Fund based – Cash credit	0.00	50.00	[ICRA]A- (Stable)/[ICRA]A2+; assigned
Short term - Non-fund based	10.00	-	[ICRA]A2+(CE); reaffirmed and withdrawn
Long term/ Short term - Fund based - Proposed working capital	0.00	231.97	[ICRA]A- (Stable)/ [ICRA]A2+; assigned
Short-term – Unallocated	4.48	-	[ICRA]A2+(CE); reaffirmed and withdrawn
<b>Total</b>	<b>110.00</b>	<b>360.00</b>	

Rating without explicit credit enhancement

[ICRA]A-

\*Instrument details are provided in Annexure I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

### Rationale

#### For the [ICRA]A- (Stable)/[ICRA]A2+ rating

The ratings for Sun Drops Energia Limited (Sun Drops, SDEL) take into account the revenue visibility for its ~22-MW (including hybrid) independent power producer (IPP) capacity owing to the long-term power purchase agreements (PPAs) inked with various commercial and industrial (C&I) customers. The ratings also positively factor in the robust revenue growth in FY2025 and the current fiscal and a healthy captive power plant (CPP)/engineering, procurement and construction (EPC) order book as of January 2026.

The ratings are also supported by the ~Rs. 500-crore equity raised by the entity in FY2025, which will support the working capital requirements arising from the rapidly growing CPP/EPC order book and has improved the entity's capital structure. Further, the ratings take into account the benefits arising from the promoter group's experience and its satisfactory track record in the renewable energy sector and allied power plant setting-up activities.

The ratings are, however, constrained by the risks associated with adequate generation levels in line with the P-90 PLF levels and remunerative tariff rates. The ratings are also constrained by the risks pertaining to the termination of PPAs, given the weak exit clause. ICRA also notes the company's relatively high working capital intensity emanating from the fast-growing CPP/EPC business.

The company also remains exposed to execution risks associated with the recently awarded battery energy storage system (BESS) projects. Further, given the largely debt-funded nature of these projects, the company's leverage and coverage indicators are expected to moderate, going forward.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to benefit from the healthy order book position in the CPP segment, providing near-term revenue visibility. Also, the IPP capacity is expected to demonstrate satisfactory generation levels, as witnessed in the past, leading to stable cash inflows. Further, ICRA expects the company to make satisfactory progress on the recently awarded battery projects.

### For the [ICRA]A(CE) (Stable) rating

The above rating is based on the strength of the corporate guarantee provided by KPI Green Energy Limited (KPI Green; KPIGEL, rated [ICRA]A (Stable)/A2+), the parent of Sun Drops Energia Limited (Sun Drops; SDEL), for the rated bank lines. The assigned rating takes into account the credit profile of the guarantor, as per the rating rationale published for KPIGEL on ICRA's website.

### Adequacy of credit enhancement

For assigning the ratings, ICRA has assessed the attributes of the guarantee issued by KPIGEL in favour of the rated instruments of SDEL. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined payment and invocation mechanism, although the same is post default in nature. Given these attributes, the guarantee provided by KPIGEL is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]A(CE)(Positive) against the rating of [ICRA]A- without explicit credit enhancement. In case the rating of the guarantor undergoes a change in future, the same would be reflected in the rating of the aforesaid instrument as well.

### Salient covenants of the rated facility

- » Pledge of company's shares to the bank equivalent to 30% of the project equity and undertaking that promoters' shares should not be pledged to any bank/FIs without prior approval of lender
- » Promoters' undertaking that in case of insufficient cash accruals, fresh funds shall be brought in towards repaying the term loan liabilities from their own sources
- » Debt service coverage ratio (DSCR) of at least 5.52 times; no penalty up to 5% deviation in the same
- » Debt service reserve account (DSRA) equivalent to 3 months' debt servicing (interest + principal) on the term loan

### Key rating drivers and their description

#### Credit strengths

**Experience of key promoter in renewable energy sector** - The key promoter, Dr. Faruk G. Patel, who is the founding member of the Group, has over two decades of experience in the renewable energy sector and allied power plant setting-up activities. He is also the founder of K.P. Energy Ltd. (involved in wind energy projects) and KP Green Engineering (previously known as KP Buildcon Private Limited, involved in providing one-stop solution for the infrastructure needs of renewable energy projects). The extensive experience of the promoter has enabled the Group to build an in-depth understanding of the dynamics of the market and the industry, resulting in a well-established network of suppliers and customers. This has aided a sustained healthy growth in revenues over the last five years. Overall, at the consolidated level, KPI Green has energised over 1.1 GW of solar and wind projects till date in the IPP and CPP segments.

**Explicit support through corporate guarantee from parent** - SDEL's credit profile is enhanced by the corporate guarantee provided by KPIGEL {rated [ICRA]A (Stable)} for the above CE rated bank limits.

**Long-term PPAs with reputed counterparties; healthy CPP/EPC order book** - SDEL has entered into long-term PPAs with reputed counterparties for the total installed IPP capacity of ~22 MW. Also, the company has a practice of entering into agreements for additional capacities with the customers over and above the installed IPP capacities, which provides a cushion in case of termination by any customer. This provides revenue visibility for the company's IPP business, mitigating the PPA termination risk to an extent.

The company's revenue grew at a healthy rate on a YoY basis and more than doubled to Rs. 367.07 crore in FY2025 from Rs. 168.17 crore in FY2024 owing to higher execution of the CPP/EPC orders. Further, the revenue grew at a healthy rate in 9M FY2026. The company also raised ~Rs. 500 crore equity in H2 FY2025, which will be utilised towards the working capital requirements arising from the rapidly growing CPP/EPC order book. Sun Drops' CPP/EPC order book stood healthy at ~Rs. 850 crore as of January 2026, to be executed over the next 9-12 months, indicating a healthy revenue growth in the current fiscal as well. The company's operating profit margin moderated to 20.9% in FY2025 from 23.3% in FY2024, primarily due to the higher share of CPP/EPC in the total revenue, which has lower margin compared to the IPP segment. However, the operating profit margin reverted to around FY2024 levels in 9M FY2026, driven by the execution of certain CPP/EPC orders with better margins.

### Credit challenges

**Risks of adequate generation levels and remunerative tariff rates** - SDEL is exposed to the risks associated with adequate generation levels in line with the P-90 PLF levels and remunerative tariff rates under the PPAs with the C&I customers.

**PPA termination risk** - The cash flows from the IPP segment are susceptible to PPA termination, given the weak exit clause of the PPAs. The PPAs can be terminated by either party after giving a notice of six months/one year. Notwithstanding this, historically, the Group has not witnessed any major PPA termination from its key clients.

**Project execution risks associated with the battery energy storage (BESS) projects** - Sun Drops remains exposed to execution risks associated with newly awarded BESS projects. The PPA for the 445 MW/890 MWh BESS project contracted with GUVNL was signed recently on March 07, 2026. Given that the company is at an early stage of execution and the BESS segment has a limited track record in India, any cost escalations arising from changes in project specifications or execution delays could adversely impact tariff viability and, consequently, weaken the project's coverage metrics.

**IPP cash flows vulnerable to tariff rates, climatic conditions and other factors** - The IPP segment's cash flows are susceptible to tariff realisation, which remains exposed to the grid tariff rates and the open access/transmission charges. Further, as the company has the entire capacity (IPP+CPP) in Gujarat, the geographical concentration risk amplifies the regulatory risk arising from any adverse policy change in the state or increase in competition at a regional level, which may impact its margins.

Further, the IPP segment's cash flows remain vulnerable to the PLF levels, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or module performance may impact the PLF and consequently the cash flows. The geographic concentration of the assets amplifies the generation risk.

### Liquidity position

#### For the rated entity SDEL: Adequate

SDEL's liquidity position remains adequate, marked by sufficient expected cash flow from operations in relation to the debt servicing requirements of Rs. 7.34 crore over FY2027-FY2028, along with the presence of a debt service reserve account (DSRA) of one quarter. The liquidity is also supported by the ~Rs. 500-crore equity raised by the entity in H2 FY2025.

## For the guarantor KPIGEL: Adequate

At a consolidated level, the liquidity position of KPI Green remains adequate, supported by healthy cash accruals, equity infusion of Rs. 1,000.0 crore at KPI Green in August 2024 and Rs. 500.0 crore at Sun Drops in H2 FY2025, and the recent preferential warrants of ~Rs. 475 crore issued to the promoter group entity (~Rs. 118 crore infused presently). The Group had healthy free cash and liquid investments of around Rs. 700 crore as of December 2025. The free cash, along with the cash accruals will be largely utilised towards the equity requirement for the under-development projects. Further, at the consolidated level, the Group is expected to generate sufficient cash flow from operations to meet the annual debt repayment obligations of Rs. 115-229 crore over FY2027-FY2028.

## Rating sensitivities for the [ICRA]A- (Stable) / [ICRA]A2+ rating

**Positive factors** – The ratings may be upgraded if there a sustained increase in the company’s earnings while maintaining a healthy profitability, leading to an improvement of the debt metrics. An improvement in the working capital cycle and liquidity position will also support an upgrade. The ratings for company could also be upgraded if the credit profile of the parent improves.

**Negative factors** – The ratings would be negatively impacted if the credit profile of the parent deteriorates. The ratings may be downgraded if there is a sustained pressure on the earnings or profitability, weakening the debt metrics of the company. Also, significant cost or time overrun for the under-development BESS projects could create pressure on the ratings. A stretch in the working capital cycle will also affect the ratings negatively.

## Rating sensitivities for the [ICRA]A(CE) (Stable)

**Positive factors** – The ratings would remain sensitive to any movement in the rating or outlook of the guarantor, i.e. KPI Green Energy Limited.

**Negative factors** – The ratings may be downgraded if there is sustained pressure on the earnings and profitability, weakening the debt metrics and liquidity. The ratings would also remain sensitive to any movement in the rating or outlook of the guarantor, i.e. KPI Green Energy Limited.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Power - Solar and Wind</a> <a href="#">Policy on withdrawal of Credit Ratings</a>
Parent/Group support	The ratings are based on implicit support from the parent company, KPI Green Energy Limited
Consolidation/Standalone	The ratings are based on the standalone financials of SDEL

## About the company

Sun Drops Energia Limited (SDEL), incorporated in 2019, is a subsidiary of KPI Green Energy Limited (KPIGEL; 65.87% holding). It provides power as an independent power producer (IPP) and is a service provider (EPC contractor) to CPP customers. The company has an installed IPP solar capacity of ~8 MWac and a hybrid capacity (solar and wind) of ~13.5 MW. The entire capacities (IPP+CPP) are at Bharuch, Gujarat.

The company has also been recently awarded BESS projects as detailed below:

- 445-MW/890-MWh standalone BESS project contracted with GUVNL at a tariff of Rs. 1,85,390 per MW per month. The PPA for the project was signed on March 07, 2026

- 120-MW/240-MWh standalone BESS project contracted with GUVNL at a tariff of Rs. 2,12,000 per MW per month. The PPA for the project is yet to be signed

## About the parent

KPI Green Energy Limited (KPIGEL), incorporated in February 2008, provides power as an independent power producer (IPP) and is a service provider (EPC contractor) to CPP (captive power plant) customers. The current operational IPP capacity of the company under the third-party open access route is ~108 MW, including the recently developed hybrid capacity of ~30.2 MW in the Bhavnagar and Bharuch districts of Gujarat.

Also, there are installed IPP capacities of ~20 MWac/ 25MWdc, ~22 MW (including hybrid) and ~10 MW under the subsidiaries, KPIG Energia Private Limited (KPIG Energia, KPIGEPL), Sun Drops and KPark Sunbeat Private Limited (KPark), respectively. Most of the company's installed capacity is at Bharuch, Gujarat. At the consolidated level, the current installed IPP capacity under the third-party open access route stands at over 160 MW.

The company has also forayed into utility scale IPP projects in the recent past, entering into power purchase agreements (PPA) with GUVNL. As part of this, the company has recently commissioned power supply for the 200-MWac solar project at Khavda and a 50-MW hybrid project (92.15-MW installed capacity; solar + wind) at Bharuch, in Gujarat. Also, the company successfully commissioned 16.1-MW solar capacity under the PM KUSUM scheme in FY2026. Additionally, on a consolidated basis, the company had commissioned/installed CPP projects of more than 610 MW as of December 2025 (360 MW as of December 2024).

At present, KPI Green Energy Limited has an under-development IPP capacity of ~0.8 GWac/ ~1.2 GWdc, including the recently awarded utility-scale wind project as below:

- 250-MWac (340 MWdc) solar power project contracted with GUVNL at a tariff of Rs. 2.65 per unit
- 370-MW (658-MW installed capacity) hybrid power project contracted with GUVNL at a tariff of Rs. 3.24 per unit
- Recently awarded 150-MW wind power contracted with GUVNL at a tariff of Rs. 3.64 per unit

Additionally, the company has been recently awarded new BESS projects under its subsidiary, Sun Drops.

The company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange, India.

## Key financial indicators (audited)

Standalone-SDEL	FY2024	FY2025
<b>Operating income</b>	168.2	367.0
<b>PAT</b>	27.2	52.0
<b>OPBDIT/OI</b>	23.3%	20.9%
<b>PAT/OI</b>	16.2%	14.2%
<b>Total outside liabilities/Tangible net worth (times)</b>	4.5	0.2
<b>Total debt/OPBDIT (times)</b>	1.6	1.1
<b>Interest coverage (times)</b>	15.3	16.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDITA: 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 rating(FY2026)				Chronology of rating history for the past 3 years							
Instrument	Type	Amount rated (Rs crore)	March 26, 2026	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based - Cash credit	Long term	10.00	[ICRA]A(CE)(Stable); reaffirmed and withdrawn	July 31, 2025	[ICRA]A(CE) (Positive)	-	-	-	-	-	-
Non-fund based - Others	Short term	10.00	[ICRA]A2+(CE) ; reaffirmed and withdrawn	July 31, 2025	[ICRA]A2+(CE)	-	-	-	-	-	-
Fund based - Cash credit	Long term/Short term	50.00	[ICRA]A-(Stable) / [ICRA]A2+		-	-	-	-	-	-	-
Fund based - Others	Long term/Short term	231.97	[ICRA]A-(Stable) / [ICRA]A2+		-	-	-	-	-	-	-
Fund based - Term loan	Long term	78.03	[ICRA]A(CE)(Stable)	July 31, 2025	[ICRA]A(CE) (Positive)	-	-	-	-	-	-
Unallocated limits	Short term	4.48	[ICRA]A2+(CE) ; reaffirmed and withdrawn	July 31, 2025	[ICRA]A2+(CE)	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based - Term loan	Simple
Long term – Fund based - Cash credit	Simple
Long term/Short term – Fund based – Cash credit	Simple
Short term - Non-fund based	Simple
Long term/Short term - Fund based - Proposed working capital	Simple
Short term – Unallocated	Not Applicable

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 loans	FY2022	-	FY2039	78.03	[ICRA]A(CE) (Stable)
NA	Cash credit	NA	NA	NA	10.00	[ICRA]A(CE) (Stable); reaffirmed and withdrawn
NA	Cash credit	NA	NA	NA	50.00	[ICRA]A- (Stable)/[ICRA]A2+
NA	Non fund based	NA	NA	NA	10.00	[ICRA]A2+(CE); reaffirmed and withdrawn

NA	Proposed working capital	NA	NA	NA	231.97	[ICRA]A- (Stable)/ [ICRA]A2+
NA	Unallocated limits	NA	NA	NA	4.48	[ICRA]A2+(CE); reaffirmed and withdrawn

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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