January 07, 2025

KPI Green Energy Limited: Ratings reaffirmed; 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	10.00	680.00	[ICRA]A (Positive); reaffirmed and assigned for enhanced amount
Long term – Fund based - Cash credit	285.00	269.00	[ICRA]A (Positive); reaffirmed
Short term – Working capital demand loan	50.00	108.50	[ICRA]A2+; reaffirmed and assigned for enhanced amount
Short term – Non-fund based - Bank guarantee	155.00	294.50	[ICRA]A2+; reaffirmed and assigned for enhanced amount
Short term – CEL	26.00	26.00	[ICRA]A2+; reaffirmed
Long term/Short term - Unallocated limits	347.85	622.00	[ICRA]A (Positive)/ [ICRA]A2+; reaffirmed and assigned for enhanced amount
Total	**873.85**	**2,000.00**	

**Instrument details are provided in Annexure-I*

Rationale

To arrive at the ratings, ICRA has considered the consolidated financials of KPI Green Energy Limited (KPI Green, KPIGEL), its wholly-owned subsidiaries—KPIG Energia Private Limited (KPIG Energia, KPIGEPL) and KPark Sunbeat Private Limited (KPark), and the subsidiary—Sun Drops Energia Private Limited (Sun Drops, SDEPL), referred to as the Group.

The ratings reaffirmation factors in the Group's improved capital structure, post the fund-raising of Rs. 1,000 crore by KPI Green through the qualified institutional placement (QIP) route in August 2024, which was mainly utilised to prepay the entire outstanding debt under KPI Green. Also, the part proceeds from the QIP will be used to meet the equity requirement of the recently awarded utility scale independent power producer (IPP) projects under KPI Green.

The ratings also factor in a healthy improvement in the Group's scale and profitability in FY2024 and the current fiscal, driven by higher execution of captive power plant (CPP)/engineering, procurement and construction (EPC) orders and the commissioning of the additional IPP capacity. The consolidated revenue and OPBDITA were Rs. 1,024.15 crore and Rs. 337.10 crore, respectively, in FY2024 against Rs. 643.79 crore and Rs. 208.49 crore, respectively, in FY2023. Further, in H1 FY2025, the consolidated revenue and OPBDITA were Rs. 707.69 crore and Rs. 265.79 crore, respectively, against Rs. 404.43 crore and Rs. 140.41 crore, respectively, in H1 FY2024. Moreover, the consolidated CPP/EPC order book continues to grow at a rapid pace and stood at ~Rs. 3,279 crore as of December 2024 compared to Rs. 2,228 crore as of August 2024 (~Rs. 1,050 crore as of March 2024). The order book includes a ~Rs. 1,300 crore from Coal India Limited, a ~Rs. 530.0-crore order from Maharashtra State Power Generation Co. Ltd. (MAHAGENCO) and a ~Rs. 450-crore order from a reputed corporate customer, which will be executed over the next 12-18 months. The remaining orders are from the usual commercial and industrial (C&I) customers, which will be executed over the next 6-8 months.

The ratings also factor in the extensive experience of the key promoter in the renewable energy sector and allied power plant setting-up activities. The ratings derive comfort from the long-term and medium-term power purchase agreements (PPA) for its IPP capacities with reputed counterparties and a track record of timely payment of bills from them.

Notwithstanding the recent improvement in the capital structure, the ratings are constrained by the expected moderation in the leverage and coverage metrics of the Group in the medium term owing to the debt-funded nature of the large pipeline of the under-development utility-scale IPP projects of ~1.2-GW (DC) along with the increase in the working capital debt to support the growing CPP order book. Also, the Group remains exposed to the risk of timely execution of the IPP projects without any major cost overruns. However, these projects have high revenue visibility and low offtake risk owing to the presence/proposed signing of long-term (25 years) PPAs at highly competitive tariffs with Gujarat Urja Vikas Nigam Limited (GUVNL), which is a strong counterparty (rated [ICRA]AA- (Stable)/[ICRA]A1+).

The cash flows from the IPP segment remain susceptible to adequate generation levels, in line with the P-90 PLF levels. Under the third-party open access route, the cash flows remain exposed to remunerative tariff realisation, PPA termination risk, open access charges and competition. The ratings are further constrained by the geographical concentration risk as the Group's entire power generation capacities (IPP+CPP) are in Gujarat. This risk will be mitigated to some extent by the award of the CPP order by MAHAGENCO, which is to be executed in Maharashtra. ICRA also notes the Group's relatively high working capital intensity emanating from the fast-growing CPP/EPC business.

The Positive outlook on the long-term rating reflects the expected improvement in the scale and profitability at the Group level backed by healthy CPP/EPC order book. Also, ICRA expects the Group to make satisfactory progress on the under-development projects without any major cost overrun. Further, the IPP segment is expected to demonstrate satisfactory generation levels, as witnessed in the past, leading to stable cash inflows.

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 Ltd. (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, the entire Group has energised ~1.3-GW of solar and wind projects till date.

Long-term PPAs with reputed counterparties and healthy order book position in EPC segment provides revenue visibility - The Group has entered into long-term PPAs of ~15-20 years for its IPP capacities under the third-party open access route with reputed C&I customers with a track record of timely payment of bills from them. This provides revenue visibility for the company's IPP business along with low counterparty credit risk. For the recently awarded utility scale project of 200 MWAc, the company has signed a long-term PPA of 25 years with a strong counterparty, i.e., GUVNL (*rated [ICRA]AA-(Stable)/[ICRA]A1+*), leading to revenue visibility and low counterparty credit risk. Moreover, at a consolidated level, the CPP/EPC order book continues to grow at a rapid pace and stood at ~Rs. 3,279 crore as of December 2024 compared with ~Rs. 2,228 crore as of August 2024. These orders are expected to be executed over the next 6-18 months.

Steady growth in revenue over the years along with healthy profitability - The Group provides solar power as an independent power producer (IPP) and as a service provider (EPC contractor) to CPP customers. The Group's revenue has shown consistent healthy growth over the years. The consolidated revenue grew at a healthy rate of ~59% in FY2024 and ~75% in H1 FY2025 on a year-on-year (YoY) basis on account of the healthy CPP/EPC order execution and addition of IPP capacities.

Also, the Group's profitability is healthy, marked by an operating profit margin (OPM) of 32.9% in FY2024 compared with an OPM of 32.4% in FY2023. At the absolute level, the OPBDITA increased by ~62% in FY2024 and ~89% in H1 FY2025 on a YoY basis. The operating profit margin is expected to remain healthy at a level similar to FY2024 in the current fiscal as well. Further, the debt coverage metrics are likely to stay comfortable, supported by healthy cash accruals.

Credit challenges

Project execution risk - KPI Green had won a 200-MWAc utility scale solar power project through the bidding process for the tender floated by GUVNL in August 2023. The estimated cost for this project is Rs. 907.56 crore, to be funded through equity of Rs. 237.56 crore and a term debt of Rs. 670.00 crore. The scheduled commercial operation date (SCOD) for the project is November 30, 2025, which is 21 months from the date of PPA signing, or the actual COD of the associated transmission system of the Khavda (Kutch, Gujarat) Solar Park, whichever is earlier, subject to a minimum period of 15 months from the date of signing the PPA. The company has signed a 25-year PPA with GUVNL at a competitive tariff rate of Rs. 2.70/unit for the project.

The Group remains exposed to the execution risks associated with this project pertaining to timely approvals and execution without any major cost overrun. Notwithstanding this, the company has made significant progress on the project and had incurred ~84% of the project cost as of November 2024.

This apart, the Group remains exposed to execution risks associated with the recently awarded utility scale projects of ~1.0-GW (DC). The timely financial closure and receipt of approvals, including for transmission connectivity, and the availability of land remain important to complete these projects in a timely manner. Any large delays in the execution of these projects or major cost overruns could impact the tariff's viability. Notwithstanding this, the Group has evacuation approval for 1.8-GW capacity as on date (~900-MW yet to be utilised) along with substantial land bank, which can be put to use for the under-development/upcoming projects.

Moderate capital structure and high working capital intensity - Despite the recent improvement in the capital structure on account of the QIP of Rs. 1,000.0 crore and prepayment of the entire debt outstanding under KPI Green, the Group's leverage and coverage metrics are expected to moderate to an extent in the medium term because of the debt-funded nature of the under-development utility scale projects. However, the leverage and coverage metrics are still expected to remain comfortable.

The Group's working capital intensity remains elevated due to the high inventory and debtor levels in EPC (CPP) projects. The NWC/OI increased to 46% in FY2024 from 21% in FY2023 and 44% FY2022. The working capital intensity is generally high in September and March due to high sales/billing concentration of the EPC segment during these months.

Susceptibility of IPP cash flows to PPA termination risk and tariff rates; regulatory risks - The cash flows from the IPP segment under the third-party open access route are susceptible to PPA termination by the existing clients, given the weak exit clause of the agreements. 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. Also, under the third-party open access route, the Group has a practice of entering into additional PPAs over and above the installed IPP capacities, which provides a cushion in case of termination by any customer. Further, the IPP cash flows under the third-party open access route are susceptible to tariff realisation, which remains exposed to grid tariff rates and open access/transmission charges.

Additionally, as the Group has the entire operational 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 the regional level, which may impact its margins. However, the Group has a competitive advantage owing to its land bank and established evacuation infrastructure, with a successful track record of operations.

Vulnerability of IPP cash flows to climatic conditions - 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/turbine performance may impact the PLF and consequently the cash flows. The geographic concentration of the assets amplifies the generation risk. Going forward, any sharp deterioration in the generation performance on a sustained basis will be a key credit monitorable.

Interest rate risk – Owing to the debt-funded capex required for setting up the IPP projects (including the recently awarded utility scale projects), the debt coverage metrics of the Group remain exposed to interest rate movement, given the fixed tariff under the PPAs.

Environmental and Social Risks

The KPI Group generates power through renewable energy (mainly solar), which produces clean power and reduces greenhouse gases compared to other conventional modes of power generation. All its operational units are compliant with all the environmental regulations and various statutory approvals/permits granted by the authorities. Thus, the Group exhibits low environment risks. Notwithstanding this, given the large land requirement for RE projects, social risks manifest when there are disagreements on compensation between the developers and landowners. The KPI Group has put in place a safety organisation structure and conducts various certification programmes, safety audits and assessments to ensure enhanced safety requirements at its sites.

Liquidity position: Adequate

The liquidity position of the Group remains comfortable, supported by healthy cash accruals and the recent infusion of Rs. 1,000.0 crore under KPI Green through the QIP route. The Group had healthy free cash and liquid investments of ~Rs. 313 crore as of November 2024. 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. 8.18-10.86 crore over FY2025-FY2026 (which were ~Rs. 62.93-65.29 crore over FY2025-FY2026 before the debt prepayment from QIP proceeds).

Rating sensitivities

Positive factors – The ratings may be upgraded if there is a sustained increase in the Group's earnings while maintaining healthy profitability, leading to an improvement in the debt metrics, along with satisfactory progress on the under-development IPP projects without any major cost overrun. An improvement in the working capital cycle and liquidity position will also support an upgrade.

Negative factors – The ratings may be downgraded if there is a sustained pressure on the earnings or profitability, weakening the debt metrics at the Group level. Also, significant cost or time overrun for the under-development IPP capacities could create pressure on the ratings. A stretch in the working capital cycle will also affect the ratings negatively.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power-Solar
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of KPIGEL, its wholly-owned subsidiaries—KPIGEPL and KPark, and the subsidiary—SDEPL.

About the company

KPI Green Energy Limited (KPIGEL, previously known as K.P.I. Global Infrastructure Ltd.), incorporated on February 01, 2008, is engaged in solar power generation. It provides solar power, both as an independent power producer (IPP) and as a service provider (EPC contractor), to CPP customers. The current operational IPP capacity of the company under the third-party open access route is ~110 MW, including the recently developed hybrid capacity of ~36.2 MW in the Bhavnagar and Bharuch districts of Gujarat. Also, there are installed IPP capacities of ~25 MW, ~21 MW and ~10 MW under the subsidiaries, KPIGEPL, SDEPL and Kpark respectively. These plants are also located at Bharuch, Gujarat. At a Group level, the current installed IPP capacity stands at ~166 MW; also, the Group had commissioned CPP projects of more than 336 MW as of September 2024.

At present, KPI Green has an under-development capacity of ~1.2-GW, including the recently awarded utility scale projects.

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

Key financial indicators (audited)

Consolidated	FY2023	FY2024	H1 FY2025*
Operating income	643.8	1,024.2	707.7
PAT	110.1	162.0	135.9
OPBDIT/OI	32.4%	32.9%	37.6%
PAT/OI	17.1%	15.8%	19.2%
Total outside liabilities/Tangible net worth (times)	3.9	1.9	0.4
Total debt/OPBDIT (times)	3.2	3.1	0.9
Interest coverage (times)	4.5	3.9	5.2

*Source: Company, ICRA Research; *Unaudited Financials; 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	Current (FY2025)			Chronology of rating history for the past 3 years							
		Type	Amount rated (Rs. crore)	Jan 07, 2025	FY2025		FY2024		FY2023		FY2022	
					Date	Rating	Date	Rating	Date	Rating	Date	Rating
1	Term loan	Long term	680.00	[ICRA]A (Positive)	04-Sep-24	[ICRA]A (Positive)	31-Mar-24	[ICRA]A- (Stable)	21-Jun-22	[ICRA]A- (Stable)	11-Jan-22	[ICRA]BBB+ (Positive)
						-	09-May-23	[ICRA]A- (Stable)	-	-	-	-
2	Cash credit	Long term	269.00	[ICRA]A (Positive)	04-Sep-24	[ICRA]A (Positive)	31-Mar-24	[ICRA]A- (Stable)	21-Jun-22	[ICRA]A- (Stable)	11-Jan-22	[ICRA]BBB+ (Positive)
						-	09-May-23	[ICRA]A- (Stable)	-	-	-	-
3	Working capital demand loan	Short term	108.50	[ICRA]A2+	04-Sep-24	[ICRA]A2+	31-Mar-24	[ICRA]A2+	21-Jun-22	[ICRA]A2+	11-Jan-22	[ICRA]A2
						-	09-May-23	[ICRA]A2+	-	-	-	-
4	Bank guarantee	Short term	294.50	[ICRA]A2+	04-Sep-24	[ICRA]A2+	31-Mar-24	[ICRA]A2+	21-Jun-22	[ICRA]A2+	11-Jan-22	[ICRA]A2
						-	09-May-23	[ICRA]A2+	-	-	-	-
5	CEL	Short term	26.00	[ICRA]A2+	04-Sep-24	[ICRA]A2+	31-Mar-24	[ICRA]A2+	-	-	-	-
6	Unallocated limits	Long term/ Short term	622.00	[ICRA]A (Positive)/ [ICRA]A2+	04-Sep-24	[ICRA]A (Positive)/ [ICRA]A2+	31-Mar-24	[ICRA]A- (Stable)/ [ICRA]A2+	-	-	-	-
						-	09-May-23	[ICRA]A- (Stable)/ [ICRA]A2+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund Based - Term loan	Simple
Long term – Fund Based - Cash credit	Simple
Short term – Working capital demand loan	Simple
Short term – Non Fund Based - Bank guarantee	Very Simple
Short term - CEL	Very Simple
Long term/Short term - Unallocated limits	NA

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	FY2025	-	FY2042	680.00	[ICRA]A (Positive)
NA	Cash credit	NA	NA	NA	269.00	[ICRA]A (Positive)
NA	Working capital demand loans	NA	NA	NA	108.50	[ICRA]A2+
NA	Bank guarantee	NA	NA	NA	294.50	[ICRA]A2+
NA	CEL	NA	NA	NA	26.00	[ICRA]A2+
NA	Unallocated limits	NA	NA	NA	622.00	[ICRA]A (Positive)/ [ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	KPIGEL Ownership	Consolidation Approach
KPIG Energia Private Limited	100.00%	Full Consolidation
Sun Drops Energia Private Limited	83.38%	Full Consolidation
KPark Sunbeat Private Limited	100.00%	Full Consolidation

Source: Company

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3406
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Rachit Mehta
+91 22 6169 3328
rachit.mehta2@icraindia.com

Rishi S Tekchandani
+91 79 6923 3059
rishi.tekchandani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6169 3304
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

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

info@icraindia.com

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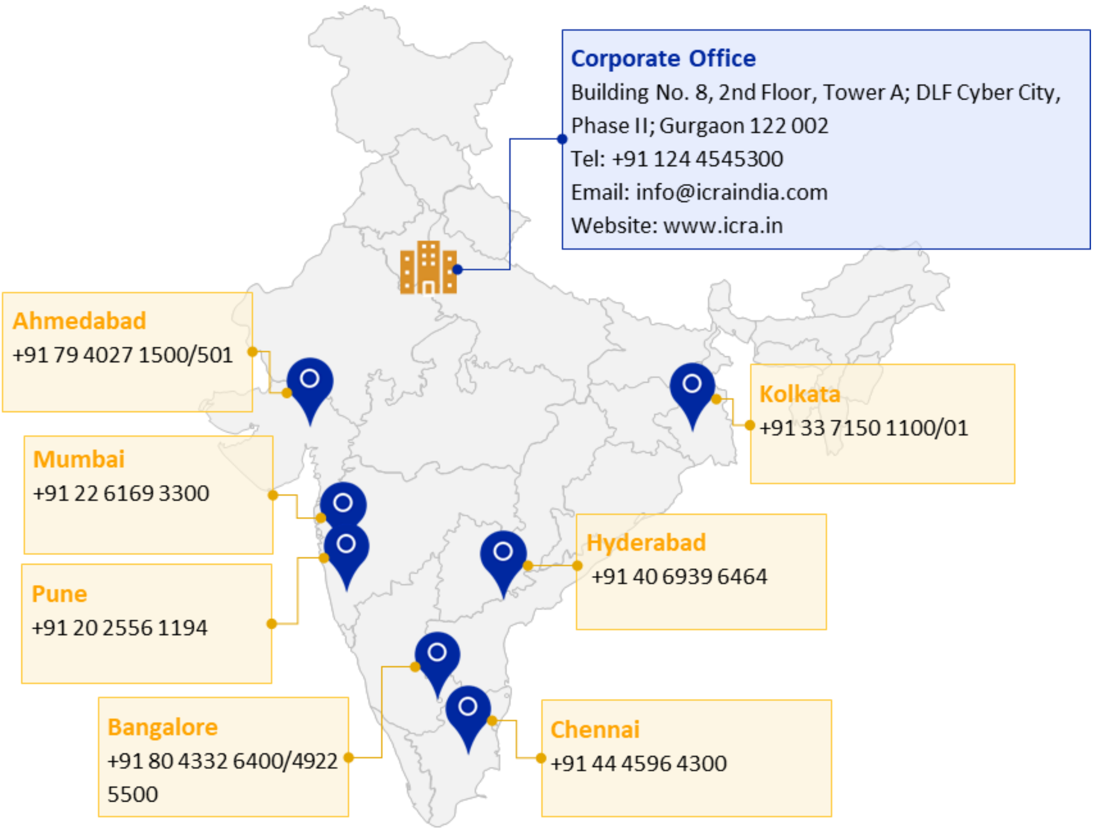
ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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