

Sprng Energy Private Limited (Revised)

March 19, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	-	-	Revised to CARE AA+; Stable from CARE AA; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has revised the rating for the long bank facilities of Sprng Energy Private Limited (SEPL) from 'CARE AA; Stable' to 'CARE AA+; Stable'. Simultaneously, the rating is withdrawn with immediate effect. The above action has been taken at the request of SEPL and factors in a 'No Objection Certificate' from the bank that has extended the facilities rated by CARE Ratings.

Revision in the rating favourably factors in the group's improving financial risk profile due to significant de-leveraging in subsidiaries resulting in a sharp improvement in leverage metrics of SEPL during the current year. The level of current external debt in the group is much lower than envisaged by CARE Ratings during last review. While the management is evaluating several options of prudent capital raising for their growth plans, CARE Ratings understands that the group may operate at relatively lower debt level in the medium term. Revision in SEPL's rating also factors in the significant increase in its portfolio since last review while maintaining a healthy proportion of strong off-takers for its planned capacity, thus providing the potential for stable cash flows. Ratings continue to factor operational and financial synergies with the promoter, Shell Plc (Shell), having strong credit profile and relatively conservative leverage philosophy. Ratings also continue to factor in the diversification of portfolio in more than six states with several projects housed in solar parks ensuring availability of adequate supporting infrastructure, tie-up of the entire capacity through long-term power purchase agreement (PPA) at competitive tariff, and satisfactory generation track record in FY23 (refers to the period April till March) and 9MFY24 (refers to the period April till December).

However, the company's performance is sensitive to the risk of implementation of balance projects and associated stabilisation risk for the newly operationalised projects. The company's financial strengths are also tempered by the counterparty risk arising out of sale to financially weaker discoms, regulatory risk persisting with the capital cost incurred in the new project, and the risk due to climate and technology.

Rating sensitivities: Factors likely to lead to rating action: Not applicable.

Analytical approach: Consolidated.

As SEPL is the ultimate holding company for all the special purpose vehicles (SPVs) (operational and under implementation), the debt of all SPVs gets consolidated at SEPL level. Therefore, CARE Ratings has taken a consolidated approach. The list of consolidated subsidiaries/joint ventures (JVs) are presented under **Annexure-6**.

Outlook: Stable

The stable outlook for SEPL's long-term rating reflects strong pipeline and the management's ability to scale up its operating portfolio by commissioning projects within scheduled timelines. The outlook is supported by the presence of long-term power purchase agreements (PPAs) for its portfolio. SEPL's financial risk profile is aided by its philosophy to keep the holding company (Holdco) term debt-free and significant de-leveraging at SPV level.

Detailed description of the key rating drivers

Key strengths

Better-than-envisaged leverage metrics

The company's financial risk profile has significantly improved as on December 31, 2023, with total external debt of around ₹1,300 crore. The group is making efforts to further de-leverage the platform. The total external debt/profit before interest, lease rentals, depreciation and taxation (PBILDT) is projected to be less than 2x in FY24 against 7.47x in FY23. Funding of pre-payment of debt and cash construction support for under-implementation projects has been done by way of infusion from the ultimate promoter, Shell, through quasi-equity instruments. The leverage profile is expected to remain comfortable in near to medium term.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Part of a reputed and resourceful global energy group; SEPL to derive strong operational, managerial and financial support

The ultimate shareholder of SEPL is Shell, which is one of the largest global integrated oil and gas producers and a major liquefied natural gas (LNG) player. Shell has a strong financial risk profile characterised by low gearing and comfortable coverage metrics. It has an articulated long-term zero-carbon strategy and is thus expected to expand in the renewable energy domain. India is a key market for its renewable energy foray, where SEPL is expected to be the vehicle driving Shell's initiatives. There is adequate representation from Shell on SEPL's board. Going forward, the ultimate parent is expected to provide financial and managerial support to the group in terms of deleveraging as well as providing higher equity commitment for its under-implementation projects. As informed by the management, Shell has also recently infused significant funds through quasi-equity instruments in SEPL which have been utilised partly for deleveraging and for under-implementation projects.

Increased renewable portfolio with high share of strong off-takers, increased maturity of projects with stable generation

SEPL's overall portfolio has increased from 2.42 GW (as noted during the last review) to 3.73 GW as on February 29, 2024, on a consolidated basis. Upon full completion, the share of strong counterparties is expected to be around 84%. Currently, more than 65% of SEPL's operational capacity is tied up through long-term PPA where the off-taker has a relatively strong credit profile. 77% capacity of the operational portfolio comprises assets operating for more than two years. The operational profile of SEPL's portfolio in FY23 and 9MFY24 is satisfactory with generation slightly better than the weighted average P90 estimates barring Sprng Renewable Energy Private Limited.

The portfolio is diversified in terms of technology, geography, and off-taker. The group has balanced capacity mix with 75% solar capacity which upon full completion is expected to provide stable cash flows. The projects are located at more than six states across India with several projects housed in different solar parks, thus ensuring availability of adequate supporting infrastructure. On fully-constructed basis, no off-taker is expected to account for more than 17% of the contracted capacity except for Solar Energy Corporation of India (SECI).

Entire capacity tied up through long-term PPA at competitive tariff with strong off-takers having majority share

SEPL's entire portfolio has low sales risk due to the tie-up of PPA with tenor of 25 years at fixed tariff (except for Arinsun Clean Energy Private Limited, which has escalable tariff). The installed capacity weighted average tariff for the group is competitive at ₹2.92/unit. The counterparty share remains balanced with strong off-takers such as SECI, NTPC Limited, and Gujarat Urja Vikas Nigam Limited, having around 64% share of the total capacity.

Key weaknesses**Implementation and stabilisation risk associated with new projects**

SEPL has projects under implementation aggregating to around 1.9 GW_{AC} as on February 29, 2024. Although the platform has demonstrated track record of timely execution and completion of renewable energy assets, the project's progress as against the envisaged stipulated timeline will be crucial for its economic viability as tariff for the projects is fixed. Moreover, the projects are also exposed to stabilisation risk with respect to achieving benchmark generation parameters.

Regulatory risk with respect to capital cost of new projects

Few of the projects are expected to claim for approval of additional capital cost incurred due to change in duties. The company has also contested past orders with respect to the quantum of approved amount. The quantum approved by the regulatory forums and the timely realisation of the same by the various SPVs is to be seen.

Counterparty risk due to sale to weaker discoms

The group has exposure to Telangana and Karnataka discoms, which have relatively weak financial profile. Nevertheless, the overall exposure of these state discoms in the group's portfolio is at around 14% as on February 29, 2024. As informed by the management, the discom of Telangana has opted to clear the outstanding dues till April 2022 of respective SPVs. The group also has exposure to the discom of Madhya Pradesh. However, the payment track has been timely.

Risk due to climate and technology

Achievement of the desired capacity utilisation factor (CUF) is subject to the changes in climatic conditions, amount of degradation of modules, and other technological risks. Also, wind projects are exposed to the inherent risk of climate fluctuations leading to variations in the wind patterns affecting the CUF.

Liquidity: Strong

On a consolidated level, SEPL's gross cash accruals in FY24 and FY25 are expected to sufficiently cover its debt repayment obligations. The portfolio's average collection period, which was high at 133 days in FY21, gradually improved to 117 days in FY23 and is expected to improve in the medium term due to realisation of significant amount from the long-standing receivables of state distribution utilities. As on December 31, 2023, SEPL had free cash and cash equivalents of around ₹1,007 crore on a consolidated level.

Applicable criteria

[Definition of Default](#)
[Consolidation](#)
[Investment Holding Companies](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Holding company

SEPL is a 100% owned entity of Solenergi Power Private Limited (SPPL, a Mauritius-based entity), which is in turn 100% owned by Shell Overseas Investment B.V (SOIBV, entity based out of Netherlands). SEPL is a renewable energy platform promoted and wholly owned by Shell Plc for setting up of wind and solar power projects in India. As on February 29, 2023, SEPL had a renewable portfolio of 3.73 GW, out of which 1.81 GW stood operational.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total operating income	818.31	1,011.47	NA
PBILDT	422.15	809.31	NA
PAT	-503.40	-79.81	NA
Overall gearing (times)	4.14	2.70	NA
Interest coverage (times)	0.73	1.32	NA

A: Audited; UA: Unaudited; Note: 'these are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT-Bank guarantee	-	-	-	-	0.00	Withdrawn
Non-fund-based - LT-Forward contract/derivative limit	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - LT-Bank guarantee	LT	-	-	CARE AA+; Stable	1)CARE AA; Stable (20-Dec-22) 2)CARE A (CW with Positive Implications) (10-May-22)	1)CARE A; Stable (27-Jan-22)	1)CARE A-; Positive (25-Mar-21) 2)CARE A-(CE); Stable (01-Jun-20) 3)CARE A-(CE) (CW with Developing Implications) (03-Apr-20)
2	Non-fund-based - LT-Forward contract/derivative limit	LT	-	-	CARE AA+; Stable	1)CARE AA; Stable (20-Dec-22) 2)CARE A (CW with Positive Implications) (10-May-22)	1)CARE A; Stable (27-Jan-22)	1)CARE A-; Positive (25-Mar-21) 2)CARE A-(CE); Stable (01-Jun-20) 3)CARE A-(CE) (CW with Developing Implications) (03-Apr-20)
3	Issuer rating-Issuer ratings	LT	-	-	-	1)Withdrawn (24-Mar-23) 2)CARE AA; Stable (20-Dec-22) 3)CARE A (Is) (CW	1)CARE A (Is); Stable (27-Jan-22)	1)CARE A-(Is); Positive (25-Mar-21) 2)CARE A-(Is); Stable (01-Jun-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
						with Positive Implications) (10-May-22)		3)CARE A-(Is) (CW with Developing Implications) (03-Apr-20)

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT-Bank guarantee	Simple
2	Non-fund-based - LT-Forward contract/derivative limit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Sprng Alt Energy Private Limited	Full	Subsidiary
2	Sprng Renewable Energy Private Limited	Full	Subsidiary
3	Sprng Agnitra Private Limited	Full	Subsidiary
4	Sprng Vayu Vidyut Private Limited	Full	Subsidiary
5	Sprng Soura Kiran Vidyut Private Limited	Full	Subsidiary
6	Sprng Natural Power Source Private Limited	Full	Subsidiary
7	Sprng Power Private Limited	Full	Subsidiary
8	Sprng Ujjvala Energy Private Limited	Full	Subsidiary
9	Sprng Nirjara Energy Private Limited	Full	Subsidiary
10	Sprng Vayu Urja Private Limited	Full	Subsidiary
11	Sprng Pavana Urja Private Limited	Full	Subsidiary
12	Sprng Photovoltaic Private Limited	Full	Subsidiary
13	Sprng Solren Private Limited	Full	Subsidiary
14	Sprng Transform Sun Energy Private Limited	Full	Subsidiary
15	Sprng Suryoday Energy Private Limited	Full	Subsidiary
16	Sprng Wind Energy Private Limited	Full	Subsidiary
17	Arinsun Clean Energy Private Limited	Proportionate	Subsidiary
18	Sprng Solar India Private Limited	Full	Subsidiary
19	Sprng Akshay Urja Private Limited	Full	Subsidiary
20	Sprng Green Power Private Limited	Full	Subsidiary
21	Sprng Ojas Private Limited	Full	Subsidiary
22	Sprng Power Earth Private Limited	Full	Subsidiary
23	Sprng Powerinfra Private Limited	Full	Subsidiary
24	Sprng Renewable Energy Private Limited	Full	Subsidiary
25	Sprng Solar Energy Private Limited	Full	Subsidiary
26	Sprng Urja Private Limited	Full	Subsidiary
27	Sprng Vayu Kiran Private Limited	Full	Subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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