

June 15, 2021

Ayana Renewable Power Private Limited: Long term rating upgraded; outlook revised to Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bank Guarantee - Non-Fund Based Limits (Short-term)	50.0	50.0	[ICRA]A1+; reaffirmed
Bank Guarantee - Non-Fund Based Limits (Long-term)	460.0	460.0	[ICRA]AA- (Stable); rating revised from [ICRA]A+ (Positive); outlook revised to Stable from Positive
Term Loan (Long-term)	90.0	90.0	[ICRA]AA- (Stable); rating revised from [ICRA]A+ (Positive); outlook revised to Stable from Positive
Total	600.0	600.0	

*Instrument details are provided in Annexure-1

Rationale

The rating revision factors in the favourable change in ownership for Ayana Renewable Power Private Limited (ARPPPL) with National Investment and Infrastructure Fund Limited (NIIF) increasing its shareholding from 25.5% to 32% as on March 31, 2021. Further, NIIF is set to become the majority shareholder in the Ayana platform with its shareholding expected to increase to ~51% in the near term along with majority board representation. ICRA notes that ARPPPL is expected to remain strategically important to NIIF as reflected from the largest equity commitment from its master fund. The ratings factor in the superior financial flexibility of ARPPPL by virtue of the strong sponsors and large capital commitments made by the sponsors - NIIF, CDC Group Plc (a UK Government-owned development finance institution) and EverSource Capital through its fund Green Growth Equity Fund (GGEF). The committed equity capital from the sponsors increased to USD 721 million from USD 330 million earlier, for development of renewable power projects (mainly solar and wind-based).

ICRA's rating action also factors in the improvement in the credit profile of operating portfolio under the special purpose vehicles (SPVs) of ARPPPL, led by commissioning of 250-MW solar project in Anantapuram Solar Park within the scheduled timeline and within budgeted cost and favourable debt refinancing for a 300 MW solar asset acquired recently. The Group's operating renewable power portfolio increased to 590 MW as of March 2021 from an entirely under-development portfolio in April 2020. The Group has another 1,150-MW under-development, comprising 550-MW solar assets with firm power purchase agreements (PPAs) and another 600 MW (300 MW solar and 300 MW wind) won recently through the bidding route, wherein PPAs are pending to be signed.

The ratings continue to favourably factor in the availability of long-term PPAs at fixed tariffs for the 1,140 MW and superior tariff competitiveness from the perspective of the ultimate offtaker utilities, leading to low offtake risks for the SPVs of ARPPPL. For the balance 600 MW, the company won these projects from the Solar Power Corporation of India Limited (SECI) and the PPAs are expected to be signed in due course. The ratings also factor in the low counterparty credit risk profile as Central counterparties, i.e. NTPC Limited and SECI, which account for 80% of the overall portfolio of ARPPPL as well as the strengths from relatively superior PPAs with the same. The ratings further take comfort from the satisfactory operational track record of assets acquired through the inorganic route.

The ratings, however, are constrained by the limited revenue streams for the company due to its holding company nature and exposure to execution risks, given that the Group has considerable project capacity under implementation. While the projects under implementation remain exposed to execution risks, the same is mitigated to some extent by the availability of land,

transmission connectivity and other solar park infrastructure for the project capacity located in solar parks. While there is a delay in implementation of a 250-MW project in Kadapa Solar Park due to delay in handover of the land by the solar park implementation agency, the commissioning timeline is expected to shift in line with the land handover. The ability of the company's project SPVs to execute the underlying projects within the approved timelines, remains a key monitorable from the credit perspective. Given the single-part nature of the fixed tariff in the PPA and variability of solar generation, the operations of ARPPL's SPVs and in turn, their cash flows remain sensitive to variation in solar irradiation level and weather conditions. Further, the ability of its SPVs to ensure satisfactory operational performance in line with the expected PLF levels remains important. Also, the operations of the company's SPVs remain exposed to interest rate risk, given the single-part fixed nature of the PPA tariff. The ratings further factor in the risks pertaining to applicability of scheduling and forecasting framework for the renewable energy projects.

The Stable outlook on ARPPL's rating reflects ICRA's opinion that the company will be able to scale-up its operating portfolio by commission the underlying projects within the scheduled timelines supported by the strong capital commitment from the sponsors and presence of long-term PPAs with strong counter-parties.

Key rating drivers and their description

Credit strengths

Large capital commitments and healthy financial flexibility by virtue of strong sponsors – The Ayana Group is backed by CDC Group Plc (45%), NIIF (32%) and GGEF (23%). The full ownership of the CDC Group belongs to the Secretary of State for International Development, which is controlled by the UK Government. NIIF is anchored by the Government of India (GoI) in collaboration with leading global and domestic institutional investors and is India's first sovereign investment fund. EverSource Capital, a joint venture between Everstone Capital and Lightsource BP, is the fund manager of GGEF, a \$700-million target private fund, which has NIIF and the UK Government as anchor investors. All the three shareholders have committed capital of \$721 million, which increased from \$330 million earlier. Moreover, NIIF increased its shareholding in ARPPL from 25.5% to 32% as of March 2021, which is expected to further increase to ~51% in the near term along with majority board representation. ICRA notes that ARPPL is expected to remain strategically important to NIIF as reflected from the largest equity commitment from its master fund. As on April 2021-end, the shareholders have infused ~Rs. 1,507 crore in the platform.

Low offtake risks supported by presence of long-term PPAs and superior tariff competitiveness for the ultimate offtakers visibility – Out of the 1,740-MW portfolio under ARPPL, the Group has signed PPAs for 1,140 MW and the balance 600 MW has been won through the bidding route from SECI; the PPAs are expected to be signed in due course. The tariffs offered by the projects of the Group, with weighted average tariff for the portfolio at Rs. 2.54 per unit, is cost competitive for the ultimate offtakers and is likely to remain competitive in the long run, given that average power purchase cost for the utilities remains relatively higher (> Rs.4/unit). The presence of long-term PPAs, supportive regulatory framework through must-run status available for renewable energy and superior tariff competitiveness limit the offtake risks and provide high revenue visibility for the Group.

Low counterparty credit risk on account of strong credit profile of Central counterparties – The counterparty credit risk for the company is low as NTPC and SECI are the offtakers for 80% of the Group's capacity for the entire duration of 25 years. In addition, NTPC and SECI are part of the list of Central public-sector undertakings (CPSUs), the receivables of which are secured through the tripartite agreement (TPA) between the GoI, state governments and the Reserve Bank of India. NTPC and SECI are however intermediary counterparties and in turn, have signed power supply agreement (PSA) with the state-owned distribution utilities in Andhra Pradesh (for 500 MW) and Madhya Pradesh (for 300 MW) as the ultimate offtakers. Moreover, the payment security mechanism in the PPA/PSA arrangement is relatively superior (against the state policy PPAs), given the presence of letter of credit, escrow arrangement and payment security fund equivalent to three months of tariff receivables. Further, the additional provisions in the PPA/PSA related to compensation available in case of grid curtailment, eligibility

criterion for renewable power purchase obligation compliance as well as termination liability in the event of default by the discoms provide a source of comfort.

Satisfactory operational track record of assets acquired inorganically – The assets acquired from First Solar Group (40 MW) have a track record of more than three years, whereas the asset acquired from the Renew Group (300 MW) has a track record of almost two years. The generation performance of all the assets has been largely around the designed energy level. The offtake for all these projects is by Karnataka discoms and the payments are regular for ~270-MW capacity. However, there are some delays in receiving payments for ~70-MW capacity.

Credit challenges

Limited revenue streams – The company has limited revenue streams due to its status as a holding company.

Execution risks arising from ~1,150 MW of under-construction assets – The projects under ARPPL remain exposed to project execution risks as ~1,150 MW capacity is in construction phase. The company's ability to commission the projects as per the applicable timelines and within the budgeted project cost remains critical. Timely achievement of financial closure for the under-construction capacity and availability of long-tenure debt at cost competitive rate also remains important for it.

The company is exposed to the movements in solar module prices and foreign exchange rates, though the latter is mitigated to a large extent due to the hedging policy of the Group. Moreover, the project remains exposed to an increase in the overall cost because of imposition of safeguard duty/basic custom duty post project award. However, these changes are likely to be covered under the Change in Law clause of the PPA and the Ayana Group is expected to get a reimbursement for the additional cost incurred. However, a time lag in getting these funds cannot be ruled out and the shareholders group may need to infuse additional funds in the interim.

Exposure to interest rate risk, PLF variation and leveraging levels – As tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to variation in weather conditions. This in turn would affect its cash flows and debt-servicing ability. ARPPL's ability to ensure satisfactory operational performance in line with the expected PLF level post commissioning of the project also remains important from the credit perspective. Moreover, given the single-part nature of tariff for the entire project duration, the company's cash flows remain exposed to interest rate risk. Additionally, any material increase in leveraging on the books of the holding company to fund the project SPVs' requirements will remain a key rating sensitivity. The total project cost for the Kadapa (250 MW) and Bikaner 1 (300 MW) project is envisaged at ~Rs. 2,500 crore. The cost of the other two projects (600 MW) will be firmed up once the PPAs are signed. The proposed debt–equity mix for these projects is 75:25.

Regulatory risks associated with implementation of scheduling and forecasting framework for renewable sector – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the intermittent nature of generation and limited experience of developers in forecasting in Indian conditions.

Liquidity position: Strong

The liquidity profile of the company is **Strong** with the repayment obligations at the standalone level in FY2022 being restricted to the SGD loan taken for the Anantapuramu project. The said loan has an outstanding balance of ~Rs. 42 crore at present and the management does not foresee any further drawdown as against the sanction amount of Rs. 90 crore. ICRA does not expect the company to receive a compensatory SGD reimbursement order before the due date of this loan, i.e. September 2021, and expects this loan to be serviced through resources available at the holding company level. ARPPL had cash balances of ~Rs. 380 crore as on March 2021 end. All the operational SPVs are expected to be self-sufficient in meeting their repayment obligations. The overall liquidity profile also draws comfort from the reputed sponsors in the Ayana platform and their firm

equity commitment of USD 720 million. The balance equity commitment for the under-construction projects with firm PPAs stands at ~Rs. 500 crore, which can be met through the existing capital commitment from the sponsors.

Rating sensitivities

Positive factors – The ratings can be upgraded based on the progress in commissioning the under-construction projects without any major time and cost overrun along with demonstrating satisfactory operating performance in terms of PLF levels post achieving commissioning.

Negative factors – The ratings could be downgraded in case of any major time/cost overruns in project execution, any major regulatory challenges, any material increase in the leveraging on the books of the holding company to fund the project SPVs' requirements, and delay in infusion of capital/ adverse change in capital commitments by the sponsors in the Ayana platform.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Power Producers Rating Methodology for Wind Power Producers Rating Methodology for Holding Companies
Parent/Group Support	ICRA favourably factors in the superior financial flexibility enjoyed by ARPPL by virtue of being backed by NIIF, CDC and GGEF.
Consolidation/Standalone	The rating is based on the consolidated financial statements of the ARPPL and its subsidiaries [Details in Annexure 2]

About the company

Ayana Renewable Power Private Limited (ARPPL) is a renewable energy focused player that aims to build a multi-GW renewable energy portfolio in India. ARPPL was previously fully backed by CDC Group Plc, which is a development finance institution owned by the UK Government. However, in early 2019, the CDC Group had divested its 51% stake in ARPPL. The same was acquired equally by NIIF and EverSource Capital through its fund, GGEF. In March 2021, NIIF increased its stake in the platform to 32% and has committed to be a majority shareholder. As per the present shareholding, NIIF owns 32%, CDC owns 45% and GGEF owns 23% stake in the company.

Key financial indicators (standalone) (audited)

ARPPL Standalone	FY2019	FY2020	9M FY2021 [^]
Operating Income (Rs. crore)	10.1	12.1	7.8
PAT (Rs. crore)	-18.6	-0.3	-5.3
OPBDIT/OI (%)	-226.1%	-84.2%	-205.3%
PAT/OI (%)	-185.1%	-2.6%	-67.8%
Total Outside Liabilities/Tangible Net Worth (times)	0.05	0.02	0.03
Total Debt/OPBDIT (times)#	NM	NM	NM
Interest Coverage (times)#	NM	NM	NM

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

[^]provisional and unaudited

#NM – No Meaning; (Because OPBITDA is negative)

Key financial indicators (consolidated) (audited)

ASPPL (Consolidated)	FY2019	FY2020	9M FY2021 [^]
Operating Income (Rs. crore)	0.9	0.6	15.4
PAT (Rs. crore)	-23.4	-1.9	-26.5
OPBDIT/OI (%)	-2814.3%	-3244.9%	-119.2%
PAT/OI (%)	-2593.1%	-287.8%	-172.2%
Total Outside Liabilities/Tangible Net Worth (times)	0.65	0.12	0.37
Total Debt/OPBDIT (times) #	NM	NM	NM
Interest Coverage (times) #	NM	NM	NM

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

[^]provisional and unaudited

#NM – No Meaning; (Because OPBITDA is negative)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2022)		Chronology of Rating History for the past 3 years									
			Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2021 (Rs. crore)	Date & Rating in		Date & Rating in FY2021		Date & Rating in FY2020		Date & Rating in FY2019
						June 15, 2021	April 7, 2021	April 24, 2020	December 5, 2019	August 29, 2019	March 12, 2019 November 12, 2018	
1 Bank Guarantee	Long term	460.0	-	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Stable)	[ICRA]A+ &	[ICRA]A+ &	[ICRA]A+ &	[ICRA]A+(Stable)		
2 Bank Guarantee	Short Term	50.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+ &	[ICRA]A1+ &	[ICRA]A1+ &	[ICRA]A1+		
3 Unallocated	Long term-Short Term	0.0	-	-	-	-	-	[ICRA]A+/[ICRA]A1+ &	[ICRA]A+/[ICRA]A1+ &	[ICRA]A+(Stable)/[ICRA]A1+		
4 Term Loan	Long term	90.0	42.0	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	-	-	-	-	-		

& - Rating watch with developing implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Bank Guarantee	Very Simple
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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Non-Fund Based Limits – Bank Guarantee (ST Scale)		-	-	50.00	[ICRA]A1+
NA	Non-Fund Based Limits – Bank Guarantee (LT scale)		-	-	460.00	[ICRA]AA-(Stable)
NA	Term Loans (LT Scale)	August 13, 2020	-	September 2021	90.00	[ICRA]AA-(Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	ARPL Ownership	Consolidation Approach
Ayana Renewable Power Private Limited	100.00% (rated entity)	Full Consolidation
Ayana Ananthapuramu Solar Private Limited	100%	Full Consolidation
Ayana Kadapa Renewable Power Private Limited	100%	Full Consolidation
Ayana Renewable Power One Private Limited	100%	Full Consolidation
Ayana Renewable Power Two Private Limited	100%	Full Consolidation
Ayana Renewable Power Three Private Limited	100%	Full Consolidation
Ayana Renewable Power Four Private Limited	100%	Full Consolidation
Ayana Renewable Power Five Private Limited	100%	Full Consolidation
Ayana Renewable Power Six Private Limited	100%	Full Consolidation
Tungabhadra Solar Parks Private Limited	100%	Full Consolidation
Anantapur Solar Parks Private Limited	100%	Full Consolidation
Adyah Solar Energy Private Limited	100%	Full Consolidation

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