

July 14, 2023

Ayana Renewable Power Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Non-fund based	90.00	190.00	[ICRA]AA- (Stable); reaffirmed
Short term – Non-fund based	180.00	180.00	[ICRA]A1+; reaffirmed
Short term – Fund based – Working capital	10.00	12.00	[ICRA]A1+; reaffirmed
Short term facilities – FB/NFB**	210.00	210.00	[ICRA]A1+; reaffirmed
Short term loan***	215.00	150.00	[ICRA]A1+; reaffirmed
Long term/Short term – Non- fund based	450.00	1010.00	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed
Long term/Short term facilities – FB / NFB	200.00	200.00	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed
Long term/Short term – Unallocated	645.00	48.00	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed
Total	2,000.00	2,000.00	

*Instrument details are provided in Annexure-1

**limits are interchangeable between fund-based and non-fund-based facilities to the extent of Rs. 50 crore and Rs. 195 crore, respectively

***limits are interchangeable with non-fund based facilities to the extent of Rs. 150 crore

Rationale

The reaffirmation of the ratings for Ayana Renewable Power Private Limited (ARPL) factors in the superior financial flexibility offered by its strong sponsors. The sponsors - National Investment and Infrastructure Fund Limited (NIIF), British International Investment (BII; erstwhile CDC Group Plc) and EverSource Capital through its fund Green Growth Equity Fund (GGEF) - have made a capital commitment of USD 721 million in the company. ICRA notes that ARPL is expected to remain strategically important to NIIF, reflected in the largest equity commitment from its master fund. The committed equity capital would enable the platform to expand its portfolio that currently stands at 4.13 GW¹, increasing from 1.74 GW as of March 2021.

The Group's operating renewable power portfolio stands at 1,290 MW as of June 2023. The Group has another 2,840 MW under-development, comprising 1,940-MW solar, wind and hybrid assets with firm power purchase agreements (PPAs), and another 900-MW projects won through the bidding route, wherein the PPAs are pending to be signed. Of this, the Group expects to commission a 300-MW wind power asset in FY2024 and the balance through FY2025 and FY2026, subject to the timely signing of the pending PPAs. The company has another 350 MW projects in the pipeline currently.

The ratings continue to favourably factor in the long-term PPAs at fixed tariffs for 3,230-MW² capacity and the superior tariff competitiveness for the ultimate offtaker utilities, leading to low offtake risks for the special purpose vehicles (SPVs) of ARPL. For the balance 900 MW, the company won projects from the Solar Power Corporation of India Limited (SECI) and the Indian Railways for which 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, SECI and Indian Railways, account for over 80% of the overall portfolio of ARPL and the strengths that emanate from the relatively superior

¹ Including operating, under-construction and recently awarded project of 300 MW RTC-RE project

NOTE: The portfolio stands at 4.89 GW if the capacity oversizing for the RTC project is considered. However, throughout the rationale, the capacities reflect the PPA capacity for this project of 300 MW for representation and calculation

²Including 500-MW capacity to be set up in partnership with IRCON International Limited (IRCON)

PPAs with NTPC and SECI. The ratings further take comfort from the satisfactory operational track record of the operating assets with majority of them performing in line with or close to the P-90 level. Nonetheless, the ability of the operational as well as the to-be-commissioned assets to demonstrate a generation performance in line or above the appraised estimate on a sustained basis remains a key monitorable.

The ratings, however, are constrained by the exposure to execution risks, given that the Group has considerable project capacity under implementation. The company's ability to secure the required approvals/land and commission the projects as per the applicable timelines and budgeted cost remains a key monitorable from a credit perspective. Further, 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.

The ratings also consider the counterparty credit risk for certain projects that are exposed to the state distribution utilities (discoms) of Karnataka, Maharashtra, and Tamil Nadu, given their modest financial position. Nonetheless, the collection cycle has improved after the implementation of the Late Payment Surcharge (LPS) scheme and comfort can be drawn from the limited exposure (17% of ARPPL's portfolio) to these state discoms. Given the single-part fixed tariff in the PPAs and the variability of solar and wind generation, the operations of ARPPL's SPVs and in turn, their cash flows, remain sensitive to the variation in solar irradiation, wind availability and weather conditions.

Also, the debt coverage metrics of the company's SPVs remain exposed to interest rate risk, given the single-part fixed PPA tariff and the leveraged capital structure. The ratings further factor in the risks pertaining to the applicability of the scheduling and forecasting framework for 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 commissioning the underlying projects within the scheduled timelines, supported by the strong capital commitment from the sponsors, the execution track record demonstrated so far and the long-term PPAs with strong counterparties.

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 NIIF (51%), BII (32%) and GGEF (17%). 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. The full ownership of the BII belongs to the Secretary of State for International Development, which is controlled by the UK Government. 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 a capital of \$721 million. ICRA notes that ARPPL is expected to remain strategically important to NIIF, evident from the largest equity commitment from its master fund. As of April 2023, the shareholders have infused ~Rs. 2,604 crore in the platform. The committed equity capital would enable the platform to scale up the operating portfolio over the next two years.

Low offtake risks supported by long-term PPAs and superior tariff competitiveness for ultimate offtakers - Of the 4,130-MW portfolio under ARPPL, the Group has signed long-term PPAs for 3,230 MW at fixed tariffs, providing revenue visibility. The PPAs are expected to be signed in due course for the balance capacity. The tariffs offered by the Group's projects, with weighted average tariff for the portfolio at Rs. 2.73 per unit, is highly competitive for the ultimate offtakers and are likely to remain competitive in the long run, given that the average power purchase cost for the utilities remains relatively high (> Rs. 4.00/unit). The long-term PPAs and the superior tariff competitiveness lower the offtake risks and provide high revenue visibility for the Group.

Low counterparty credit risk with majority of the exposure to strong Central counterparties – The counterparty credit risk for the company is low as NTPC and SECI are the offtakers for ~61% of the Group's capacity for the entire duration of 25 years. NTPC and SECI are on the list of Central public-sector undertakings (CPSUs), wherein the receivables are secured through

tripartite agreements (TPA) among the Gol, the state governments and the Reserve Bank of India. NTPC and SECI are intermediary counterparties and in turn, have signed power supply agreements (PSA) with the state-owned distribution utilities of Andhra Pradesh (for 500 MW), Madhya Pradesh (for 300 MW), Rajasthan (for 350 MW) and Telangana (300 MW) as the ultimate offtakers. Further, the additional provisions in the PPA/PSA related to compensation for grid curtailment and termination liability in the event of default by the discoms provide comfort. Within the balance portfolio of 39%, about 19% is tied up with the Indian Railways and 3% with Gujarat discoms, wherein the payments are expected to be timely.

Satisfactory operational track record of operating assets – The assets acquired from the First Solar Group (40 MW), Renew Group (300 MW), ACME Group (250 MW), Phelan Group (50 MW) and Rays Power Group (100 MW) have a track record of more than three years. Further, two assets equivalent to 550 MW have been commissioned by ARPPL and have an operating track record of one to two years. The generation performance of the assets remains largely satisfactory, with the weighted average PLF remaining close to the appraised estimate in FY2023 and improving over FY2022. Going forward, the company's ability to improve and sustain the generation performance of the assets remains a key monitorable.

Credit challenges

Execution risks arising from ~2,840 MW of under-development assets – The projects under ARPPL remain exposed to project execution risks as ~2,840-MW capacity is under development. The company's ability to secure the required approvals/land and commission the projects as per the applicable timelines and budgeted cost remains critical. Timely achievement of financial closure for the under-construction capacity and availability of long-tenure debt at cost competitive rates is also important. Further, 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 the imposition of basic custom duty on imported cells/modules, post the 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 be reimbursed for the additional cost incurred. Nonetheless, a time lag in receiving these funds cannot be ruled out and the SPVs have to rely on funding support from ARPPL in the interim.

Exposure to interest rate risk, PLF variation and leveraging levels – The debt metrics for solar & wind power projects remain sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or module/WTG performance may impact the PLF and consequently the cash flows. ARPPL's ability to ensure satisfactory operational performance in line with the expected PLF level post the commissioning of the projects remains important from a credit perspective. Moreover, given the single-part tariff for the entire project duration and the leveraged capital structure for the projects under the SPVs, the company's consolidated cash flows and debt metrics 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.

Counterparty credit risks due to exposure to state discoms – ARPPL's portfolio remains exposed to counterparty credit risks arising from the exposure to the state distribution utilities (discoms) of Karnataka, Maharashtra and Tamil Nadu and their modest financial position. While the payments from the Maharashtra discoms have been on time so far, payments from some of the discoms in Karnataka and Tamil Nadu were delayed in the past. Nonetheless, the collection cycle has improved after the implementation of the LPS scheme and comfort can be drawn from the limited exposure to these state discoms within ARPPL's portfolio (~17%).

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

Liquidity position: Strong

The company's liquidity is strong, supported by the large equity commitment from the sponsors to fund the equity for the ongoing projects. Also, the company can upstream the surplus cash flows from its operating subsidiaries after meeting the respective lender covenants, given their satisfactory performance. The company does not have any debt repayment obligations at a standalone level and has cash balances of ~Rs. 80 crore as on May 31, 2023.

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 overruns. Further, a generation performance in line with the appraised PLF level, post commissioning, will support an upgrade.

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 the infusion of capital/adverse change in capital commitments by the sponsors in the Ayana platform. Further, material under-performance in the generation of the operating assets adversely affecting the debt service coverage metrics or delays in receiving payments from the offtakers impacting the Group's liquidity profile could warrant a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Energy Projects Rating Methodology for Wind Power Producers
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 ratings are based on the consolidated financial statements of ARPPL and its subsidiaries [Details in Annexure II]

About the company

Ayana Renewable Power Private Limited (ARPPL) is a renewable energy focused player which aims to build a multi-GW renewable energy portfolio in India. ARPPL was previously fully backed by BII (erstwhile CDC Group Plc) (100% owned) which is a development finance institution owned by the UK government. However, in early 2019, CDC divested its 51% stake in ARPPL and the same has been acquired equally by the National Investment and Infrastructure Fund of India (NIIF) and EverSource Capital through its fund Green Growth Equity Fund (GGEF). In March 2021, NIIF increased its stake in the platform to 32%, which further increased to 51% in November 2021, committing to be a majority shareholder.

Key financial indicators (audited)

ARPPL Standalone	FY2021	FY2022	FY2023 [^]
Operating income (Rs. crore)	24.3	34.7	117.2
PAT (Rs. crore)	7.2	68.3	77.1
OPBDIT/OI (%)	-73.1%	-26.8%	-24.1%
PAT/OI (%)	29.8%	196.9%	65.8%
Total outside liabilities/Tangible net worth (times)	0.2	0.2	0.1
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; NM – Not meaningful; [^] Provisional

ARPPL Consolidated	FY2021	FY2022	FY2023 [^]
Operating income (Rs. crore)	74.3	489.2	838.8
PAT (Rs. crore)	-50.5	-51.7	178.4
OPBDIT/OI (%)	29.7%	69.3%	82.2%
PAT/OI (%)	-67.5%	-10.3%	21.0%
Total outside liabilities/Tangible net worth (times)*	1.75	2.77	2.31
Total debt/OPBDIT (times)*	NM	14.34	6.76
Interest coverage (times)	NM	1.43	1.90

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; NM – Not meaningful; [^] Provisional; * includes the earlier debt that was yet to be prepaid under one of the SPVs as on March 31, 2022 along with the additional debt drawn under refinancing

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021
					Jul 14, 2023	May 17, 2022	Jun 15, 2021	Apr 07, 2021	Apr 24, 2020
1 Fund based - Term loan	Long Term	-	-	-	-	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	-	
2 Non-fund based	Long Term	190.00	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Stable)	
3 Non-fund based	Short Term	180.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	
4 Fund based – Working capital	Short Term	12.00	-	[ICRA]A1+	[ICRA]A1+	-	-	-	
5 Facilities – FB/NFB*	Short Term	210.00	-	[ICRA]A1+	[ICRA]A1+	-	-	-	
6 Term loan	Short Term	150.00	-	[ICRA]A1+	[ICRA]A1+	-	-	-	
7 Non-fund based	Long Term / Short Term	1010.00	-	[ICRA]AA-(Stable) / [ICRA]A1+	[ICRA]AA-(Stable) / [ICRA]A1+	-	-	-	
8 Facilities – FB/NFB	Long Term / Short Term	200.00	-	[ICRA]AA-(Stable) / [ICRA]A1+	[ICRA]AA-(Stable) / [ICRA]A1+	-	-	-	
9 Unallocated	Long Term / Short Term	48.00	-	[ICRA]AA-(Stable) / [ICRA]A1+	[ICRA]AA-(Stable) / [ICRA]A1+	-	-	-	

*limits are interchangeable between fund-based and non-fund-based facilities to the extent of Rs. 50 crore and Rs. 195 crore, respectively

**limits are interchangeable with non-fund based facilities to the extent of Rs. 150 crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Non-fund based	Very Simple
Short Term – Non-fund based	Very Simple
Short Term – Fund based – Working capital	Simple
Short-term facilities – FB/NFB	Simple
Short-term loan	Simple
Long term/Short term – Non-fund based	Very Simple
Long term/Short term facilities – FB/NFB	Simple
Long term/Short term – Unallocated	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 / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Non-fund based	-	-	-	190.00	[ICRA]AA- (Stable)
NA	Non-fund based	-	-	-	180.00	[ICRA]A1+
NA	Fund based – Working capital	-	-	-	12.00	[ICRA]A1+
NA	Facilities – FB/NFB*	-	-	-	210.00	[ICRA]A1+
NA	Term loan - 1**	Dec 2022	-	***	150.00	[ICRA]A1+
NA	Non-fund based	-	-	-	1010.00	[ICRA]AA- (Stable) / [ICRA]A1+
NA	Facilities – FB/NFB	-	-	-	200.00	[ICRA]AA- (Stable) / [ICRA]A1+
NA	Unallocated	-	-	-	48.00	[ICRA]AA- (Stable) / [ICRA]A1+

Source: Company

*limits are interchangeable between fund-based and non-fund-based facilities to the extent of Rs. 50 crore and Rs. 195 crore respectively

**limits are interchangeable with non-fund-based facilities to the extent of Rs. 150 crore

***no term loan has been drawn as of March 31, 2023

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Ayana Renewable Power Private Limited	100.00%	Full Consolidation
Ayana Ananthapuramu Solar Private Limited	100.00%	Full Consolidation
Ayana Kadapa Renewable Power Private Limited	100.00%	Full Consolidation
Ayana Renewable Power One Private Limited	100.00%	Full Consolidation
Ayana Renewable Power Two Private Limited	100.00%	Full Consolidation
Ayana Renewable Power Three Private Limited	100.00%	Full Consolidation
Ayana Renewable Power Four Private Limited	100.00%	Full Consolidation
Ayana Renewable Power Five Private Limited	100.00%	Full Consolidation
Ayana Renewable Power Six Private Limited	100.00%	Full Consolidation
Tungabhadra Solar Parks Private Limited	100.00%	Full Consolidation
Anantapur Solar Parks Private Limited	100.00%	Full Consolidation
Adyah Solar Energy Private Limited	100.00%	Full Consolidation
Seven Renewable Power Private Limited	100.00%	Full Consolidation
Project Eight Renewable Power Private Limited	100.00%	Full Consolidation
Project Nine Renewable Power Private Limited	100.00%	Full Consolidation
Project Ten Renewable Power Private Limited	100.00%	Full Consolidation
Project Eleven Renewable Power Private Limited	100.00%	Full Consolidation
Project Twelve Renewable Power Private Limited	100.00%	Full Consolidation
ACME Chittorgarh Solar Energy Private Limited	100.00%	Full Consolidation
Bhadla Renewable Power Private Limited (erstwhile Phelan Energy India RJ Private Limited)	100.00%	Full Consolidation
Project Thirteen Renewable Power Private Limited	100.00%	Full Consolidation
Project Fourteen Renewable Power Private Limited	100.00%	Full Consolidation
IRCON Renewable Power Limited	24.00%	Equity Method
Project Fifteen Renewable Power Private Limited	100.00%	Full Consolidation
Project Sixteen Renewable Power Private Limited	100.00%	Full Consolidation
Project Seventeen Renewable Power Private Limited	100.00%	Full Consolidation
Project Eighteen Renewable Power Private Limited	100.00%	Full Consolidation
Project Nineteen Renewable Power Private Limited	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Project Twenty Renewable Power Private Limited	100.00%	Full Consolidation
Tirunveli Solar Project Private Limited	100.00%	Full Consolidation

Source: Company

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545 304
sabyasachi@icraindia.com

Vikram V
+91 40 4547 4829
vikram.v@icraindia.com

Vinayak Ramesh
+91 40 4547 4829
r.vinayak@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
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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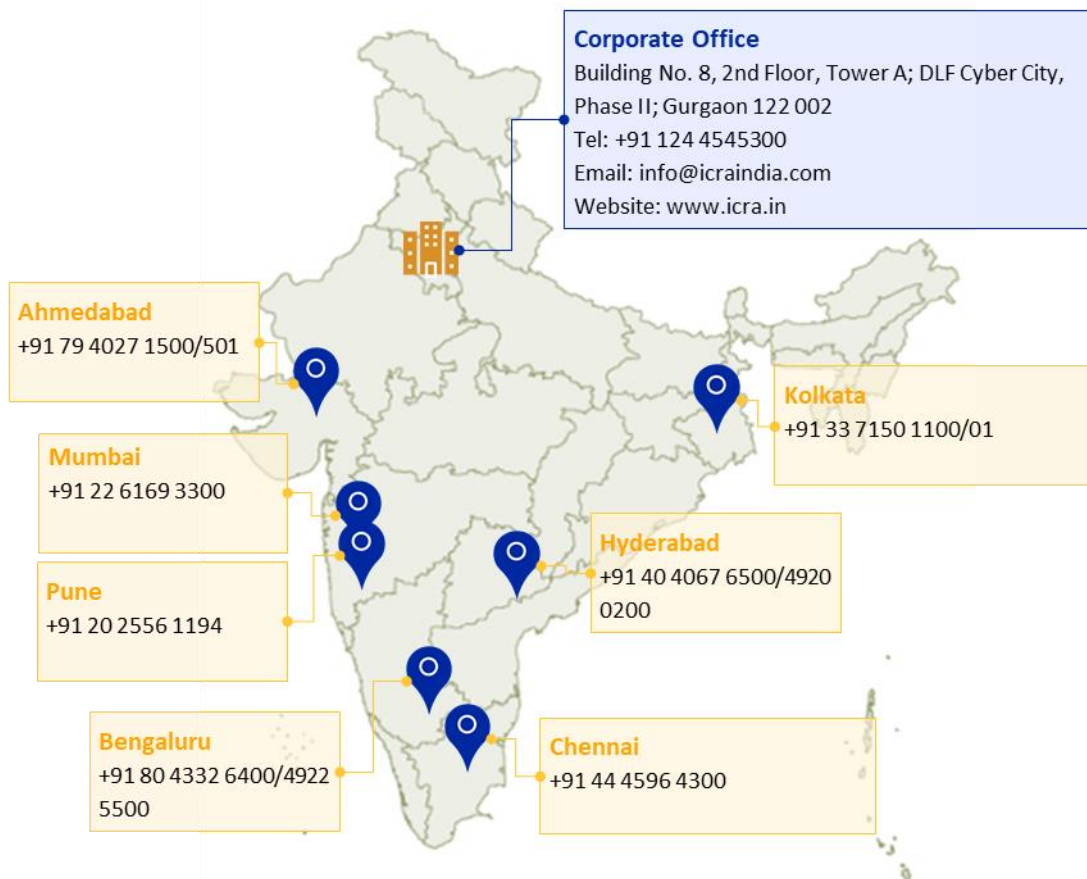
Registered Office

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

Tel: +91 11 23357940-45



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