January 11, 2024

Ayana Ananthapuramu Solar Private Limited: Long-term rating reaffirmed and short-term rating assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based - Term Loan	798.00	922.08	[ICRA]AA- (Stable); reaffirmed
Short Term – Non-fund based	-	15.00	[ICRA]A1+; assigned
Long Term – Unallocated	85.75	32.92	[ICRA]AA- (Stable); reaffirmed
Long Term – Non-fund based	86.25	0.00	-
Total	**970.00**	**970.00**	

**Instrument details are provided in Annexure-1*

Rationale

The reaffirmation of the long-term rating and assignment of short-term rating on the bank facilities of Ayana Ananthapuramu Solar Private Limited (AASPL) factors in the managerial and financial support from a strong parent – Ayana Renewable Power Private Limited (ARPPL; rated [ICRA]AA- (Stable)/[ICRA]A1+). ARPPL's credit profile is supported by its superior financial flexibility for having strong sponsors and the large capital commitments made by the sponsors — National Investment and Infrastructure Fund Limited (NIIF), British International Investment (BII; erstwhile CDC Group Plc; a UK Government-owned development finance institution) and Green Growth Equity Fund (GGEF). The sponsors have made a large capital commitment in the Ayana platform, with NIIF holding 51% along with majority board representation.

The rating considers the satisfactory operational track record for the 250-MW solar power capacity commissioned by AASPL in March 2021. The average PLF in FY2023 was higher compared to FY2022. Further, the average PLF was higher in 8M FY2024 compared to 8M FY2023. The rating continues to take comfort from the revenue visibility for the company because of the long-term (25-year) power purchase agreement (PPA) with NTPC Limited (NTPC; [ICRA]AAA (Stable)/[ICRA]A1+) at a fixed tariff rate of Rs. 2.73 per unit. NTPC being an intermediary counterparty has in turn signed a power supply agreement (PSA) with the state-owned distribution utilities in Andhra Pradesh, which are the ultimate offtakers. The rating positively considers the tariff competitiveness offered by AASPL for the ultimate offtakers. Moreover, the payment security mechanism in the PPA/PSA arrangement is relatively superior to the state policy PPAs because of the benefits available to NTPC under the tripartite agreement (TPA) with the Government of India (GoI), the Reserve Bank of India (RBI) and the state government. A strong intermediate counterparty like NTPC has led to timely realisation of payments.

The company has refinanced its external debt in November 2023, wherein it has availed a top-up debt of Rs. 183 crore, which is expected to be used for upstreaming to the parent. While there is a moderation expected in the debt coverage metrics of the company in view of the additional debt availed, they are expected to be satisfactory over the debt repayment tenure with a cumulative DSCR on project debt of 1.25x, resulting from long tenure of the debt and competitive interest rate. ICRA also takes note of the proposed merger of AASPL into its parent company (ARPPL). This is expected to be a credit neutral event for the company.

The rating is, however, constrained by the vulnerability of AASPL's cash flows and debt protection metrics to its generation performance. Any adverse variation in weather conditions and module performance may impact the PLF levels and consequently affect the cash flows. This is amplified by the geographic concentration of the asset, with the entire capacity located at a single site in Andhra Pradesh. ICRA takes note of the exposure of the debt coverage metrics to the interest rate movements, given the leveraged capital structure and fixed tariff. Further, AASPL's operations remain exposed to the regulatory risks pertaining to scheduling and forecasting requirements for solar energy projects.

The Stable outlook on the [ICRA]AA- rating of AASPL reflects ICRA's opinion that the company would benefit from the long-term PPA with a strong counterparty. Also, expectations of a satisfactory generation performance and the benefits as part of the Ayana Group support the outlook.

Key rating drivers and their description

Credit strengths

AASPL is part of Ayana platform that has large capital commitments from strong sponsors – The Ayana Group is backed by NIIF, BII and GGEF. NIIF is anchored by the GoI in collaboration with leading global and domestic institutional investors and is India's first sovereign investment fund. The full ownership of 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, which has NIIF and the UK Government as anchor investors. NIIF holds 51% shareholding in ARPPL, along with majority board representation. ICRA notes that ARPPL is expected to remain strategically important to NIIF, reflected in the largest equity commitment from its master fund. AASPL enjoys strong managerial and financial support, being part of the Ayana platform. ARPPL has developed a portfolio of 4.1 GW, comprising an operating capacity of 1.4 GW and under-development capacity of 2.7 GW.

Revenue visibility due to long-term PPA with NTPC and PSAs with distribution utilities in Andhra Pradesh – The long-term (25-year) PPA with NTPC at a competitive tariff of Rs. 2.73 per unit for the entire duration of the project provides healthy revenue visibility for AASPL. NTPC is an intermediary counterparty and has signed PSAs with the state-owned distribution utilities in Andhra Pradesh, which are the ultimate offtakers. The rating further positively considers the cost competitiveness of the tariff offered by the project to the ultimate offtakers.

Presence of a strong counterparty likely to result in timely payments – The presence of a strong intermediate counterparty like NTPC has led to timely realisation of payments under the PPA. Moreover, the payment security mechanism in PPA/PSA arrangements is relatively superior to the state policy PPAs because of the benefits available to NTPC under the TPA with the GoI, the RBI and the state government. Further, the additional provisions in the PPA/PSA for compensation in case of grid curtailment, the eligibility criterion for renewable power purchase obligation compliance and termination liability in the event of default by the offtaker provide comfort.

Satisfactory debt coverage metrics – While the top-up debt availed by AASPL as part of the recent refinancing of its external debt is expected to moderate the debt coverage metrics, they are expected to be satisfactory over the debt repayment tenure with a cumulative DSCR of 1.25x, supported by the long-term PPA, long tenure of project debt and competitive interest rate. A significant portion of the promoter contribution for the project is in the form of debt, which remains subordinated to the project debt and subject to restricted payment conditions stipulated by the lender.

Credit challenges

Vulnerability of cash flows to variation in weather conditions – The debt metrics for the solar power project of AASPL remain sensitive to the generation level, 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 asset amplifies the generation risk. Nonetheless, the sourcing of PV modules from tier-I suppliers and the presence of an experienced O&M contractor provide comfort. In FY2022 (which partly coincides with the stabilisation phase of the plant having achieved full commissioning in March 2021), AASPL recorded an average PLF of ~25.1% which is slightly below the P-90 estimate of 27.1%. However, the PLF improved in FY2023 compared to FY2022. Further, the generation was higher in 8M

FY2024 compared to 8M FY2023. Going forward, the ability of AASPL to ensure satisfactory operational performance in line with the expected PLF (P-90) level remains important from a credit perspective.

Exposure to interest rate risk – The capital structure of the company is leveraged and given the single-part nature of the fixed tariff in the PPA and floating interest rates, its profitability and debt coverage metrics remains exposed to any increase in interest rates.

Regulatory risks of implementing scheduling and forecasting framework for solar sector – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for solar power projects, given the variable nature of solar power generation.

Liquidity position: Strong

The liquidity profile of the company is expected to remain strong, supported by the healthy buffer between the cash flows from operations and debt servicing obligations, with the company expected to generate cash flows of ~Rs. 60 crore against debt repayment obligation of ~Rs. 37 crore in FY2025. Further, comfort is drawn from the presence of one quarter DSRA in the form of bank guarantee and unencumbered cash balances of ~Rs.62 crore as on December 29, 2023. ICRA also factors in the strengths arising by virtue of this asset being a part of the Ayana Group which remains committed to support the operations in case of a cashflow mismatch.

Rating sensitivities

Positive factors – ICRA could upgrade AASPL's rating if there is a demonstrated track record of generation performance in line or above the appraised P90 PLF estimate along with timely payments from the offtaker on a sustained basis, strengthening the debt coverage metrics. Also, AASPL's rating would remain sensitive to the credit profile of its parent, ARPPL.

Negative factors – The rating could be downgraded if the actual generation remains significantly lower than P-90 estimates consistently, lowering the cumulative DSCR to below 1.20 times. Further, the rating can be downgraded if delays in receiving payments from the offtaker adversely impact the liquidity profile of the company. Also, AASPL's rating would remain sensitive to the credit profile of its parent, ARPPL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology] [Solar Power Producers methodology]
Parent/Group support	ICRA expects AASPL's parent, ARPPL to be willing to extend financial support to AASPL, should there be a need, given the high strategic importance that AASPL has for ARPPL.
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

AASPL is a 100% subsidiary of ARPPL and is operating a 250-MW solar power project in Anantapur, Andhra Pradesh. The capacity was won through an auction conducted by NTPC and the winning tariff for the company for the entire project duration of 25 years is Rs. 2.73 per unit. The full capacity got commissioned on March 8, 2021.

Key financial indicators (audited)

AASPL Standalone	FY2022	FY2023
Operating income (Rs. crore)	149.6	206.1
PAT (Rs. crore)	-2.4	56.0
OPBDIT/OI (%)	70.8%	82.2%
PAT/OI (%)	-1.6%	27.2%
Total outside liabilities/Tangible net worth (times)	24.0	10.1
Total debt/OPBDIT (times)	10.3	5.7
Interest coverage (times)	1.8	2.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

NOTE: Debt includes promoter contribution in the form of subordinated debt

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on January 2, 2024 (Rs. crore)	Date & rating	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
					Jan 11, 2024	Mar 06, 2023	Sep 22, 2022	Jun 15, 2021	Apr 24, 2020
1	Term Loan	Long-Term	922.08	731.69	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Stable)	[ICRA]A-(Stable)
2	Working Capital Limits	Long-Term	-	-	-	-	-	[ICRA]A+(Stable)	[ICRA]A-(Stable)
3	Non-fund based	Long-Term	-	-	-	[ICRA]AA-(Stable)	-	-	-
4	Unallocated	Long-Term	32.92	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	-
5	Non-fund based	Short-Term	15.00	-	[ICRA]A1+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Long-term Non-fund based	Simple
Short-term Non-fund based	Very Simple
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	**Term Loan**	Nov 2023	-	FY2042	922.08	[ICRA]AA- (Stable)
NA	**Non-fund based**	-	-	-	15.00	[ICRA]A1+
NA	**Unallocated**	-	-	-	32.92	[ICRA]AA- (Stable)

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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About ICRA Limited:

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