

February 06, 2025

Axis Wind Farms (Rayalaseema) Private Limited: Rating placed on watch with positive implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	552.00	552.00	[ICRA]A-; placed on rating watch with positive implications
Total	552.00	552.00	

*Instrument details are provided in Annexure I

Rationale

The rating action for Axis Wind Farms (Rayalaseema) Private Limited (AWFRPL) factors in the proposed acquisition of the company by Gentari Renewables India Pte Limited (Gentari) from the existing sponsor, Brookfield Group. The acquisition has been approved by Competition Commission of India (CCI) and is expected to be completed in due course, post the necessary approvals. The rating watch with positive implications factors in the proposed acquisition by a strong sponsor. The rating watch will be resolved after the acquisition is completed.

The rating continues to factor in the presence of a 25-year power purchase agreement (PPA) with Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) at a feed-in tariff of Rs. 4.84 per unit for the 105-MW wind power project of AWFRPL, thus limiting the demand and pricing risks. The generation performance of the wind asset has been satisfactory in FY2024 and 9M FY2025. Moreover, the availability of a three-quarter debt service reserve (DSRA) in the form of a sponsor-issued standby letter of credit (SBLC) and a Rs. 50-crore working capital facility supports the liquidity profile of the company.

ICRA notes that the company has been receiving payments for the bills in a regular manner from APSPDCL. However, the discom is withholding certain payments, citing that the offtake of the energy generated shall be restricted to the normative plant load factor (PLF) of 23.5% approved under the tariff regulations. The company had filed a petition before the Andhra Pradesh Electricity Regulatory Commission (APERC) challenging this withholding of payments. APERC had disposed of the petition and directed that the relief granted in one of its previous orders be extended to the company, i.e., APSPDCL is obligated to pay a tariff to the company at Rs. 0.5/unit for the purchase of energy injected beyond the PLF of 23.5%. This is being contested by the company as there is no such provision under the PPA and the petition on this matter is pending before the Appellate Tribunal for Electricity (APTEL). The resolution of this issue remains a key rating sensitivity, going forward.

The rating also factors in the company's financial flexibility (in terms of timely access to capital) because of the presence of a strong sponsor – the Brookfield Group. The Brookfield Group has a strong track record in operating renewable energy assets across multiple geographies.

The rating is, however, constrained by the exposure to a single counterparty, APSPDCL, which has a modest financial profile. Timely receipt of the ongoing bills from APSPDCL on a sustained basis along with the resolution of the issue over capping the offtake at normative PLF remains a key monitorable for AWFRPL. The rating is also constrained by the vulnerability of revenues and cash flows to the seasonality and variation in wind power density across the years owing to the single-part nature of the tariff under the PPA with APSPDCL. The rating is further tempered by the geographic concentration of the project at a single location. Also, the leveraged capital structure and a fixed tariff of the project expose the company to variation in interest rates on the project debt.

Key rating drivers and their description

Credit strengths

Long-term power purchase agreement with APSPDCL – AWRPL has signed a long-term PPA of 25 years with APSPDCL at a fixed tariff rate, which provides revenue visibility for the company and limits the demand and tariff risks.

Satisfactory generation performance in FY2024 and 9M FY2025 – The generation performance of the 105-MW wind power project of AWRPL improved in FY2024 with a PLF of 28.4% compared to 25.3% in FY2023, led by reduced instances of grid curtailment and a favourable wind season. The PLF declined to 29.6% in 9MFY2025 compared to 31.2% in 9MFY2024 owing to wind variations but remains satisfactory. The PLF in FY2021 and FY2022 was constrained by instances of grid curtailments and a weaker wind season. While the satisfactory generation performance in FY2024 and 9MFY2025 remains a positive, the sustainability of the same remains key for the company.

Liquidity profile supported by availability of three-quarter DSRA and working capital facility – The availability of a three-quarter DSRA in the form of sponsor issued irrevocable standby letter of credit and a working capital facility of Rs. 50 crore support the liquidity profile of the company.

Strong financial flexibility from the sponsor group – The presence of a strong sponsor - Brookfield Group – provides financial flexibility to the company. The same is reflected in the support provided by the sponsor in the form of subordinated optionally convertible debentures (OCDs) in the past.

Credit challenges

Counterparty risk from exposure to a single discom in Andhra Pradesh with a modest financial profile - The long-term PPA with APSPDCL exposes AWRPL to the counterparty credit risk of being exposed to a single discom, which has a moderate financial profile. The financial profile of the discom is constrained by high subsidy dependence and inadequate tariffs in relation to the cost of supply. While the company is receiving payments for the bills in a regular manner, the discom is withholding certain payments, citing that the offtake of the energy generated shall be restricted to the normative PLF of 23.5% approved under the tariff regulations. This is being contested by the company as there is no such provision under the PPA. The timely clearance of the ongoing monthly bills and the recovery of the withheld dues remain a monitorable for the company.

Operating risks associated with exposure to wind conditions and geographic concentration of the project – The generation by wind farm and in turn the cash flows of the project are susceptible to seasonality and variation in wind power density, given the one-part tariff structure of the PPA with APSPDCL. This risk is amplified by the geographic concentration of the asset as the entire capacity is at a single location. Also, the competitiveness of the tariff offered by the project remains moderate, which may lead to the risk of grid curtailment.

Interest rate risk - The company's debt coverage metrics remain sensitive to the movements in interest rate on the project debt, given the single-part fixed tariff of the project and a leveraged capital structure.

Liquidity position: Adequate

AWRPL's liquidity position is expected to remain adequate, supported by positive cash flow from operations, availability of a three-quarter DSRA and a Rs. 50-crore working capital facility in relation to its debt servicing obligations. The cash and bank balances, including DSRA and working capital limits, support the liquidity profile. The recovery of the withheld dues by APSPDCL remains a key rating monitorable.

Rating sensitivities

Positive factors – The rating watch will be resolved after the completion of the proposed acquisition by Gentari Renewables India Pte Ltd. ICRA could also upgrade the rating if there is a sustained improvement in the payment cycle from the offtaker

along with the resolution of the PLF capping issue and if the generation level improves on a sustained basis, leading to healthy credit metrics.

Negative factors – Pressure on AWRPL's rating could arise if any significant under-performance in generation adversely impacts its debt coverage metrics. Any large build-up in receivables from the offtaker adversely impacting the company's liquidity position would be another negative trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Wind
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

AWRPL operates a 105-MW wind power project at Kuderu and Pampanoor Thanda in the Anantapur district of Andhra Pradesh. The wind power plant commenced commercial operations in various phases from March 2018 to September 2018. AWRPL has signed a long-term PPA with APSPDCL for a period of 25 years at a fixed tariff of Rs. 4.84 per unit. The project was developed by Axis Energy Ventures India Private Limited (AEVIPL), with WTGs supplied and installed by Suzlon Energy Limited and the balance plant work was undertaken by other promoter group entities.

In July 2019, AWRPL was acquired by the Brookfield Group, which operates one of the world's largest renewable power platforms across hydro, wind and solar power, distributed generation and storage. AWRPL was acquired by Brookfield Renewable Partners LP through an investment vehicle BIF III FVCI Holdings India I Pte Limited and an associate entity, Axis Wind Farms (Anantapur) Private Limited. AWRPL is a 100% subsidiary of Axis Wind Farms (Anantapur) Private Limited. CCI has approved the acquisition of the company by Gentari. The proposed acquisition is expected to be completed in the next few months, post the necessary approvals.

Key financial indicators (audited)

AWRPL Standalone	FY2023	FY2024
Operating income	116.4	128.1
PAT	-36.4	20.9
OPBDIT/OI	82.2%	81.1%
PAT/OI	-31.2%	16.4%
Total outside liabilities/Tangible net worth (times)	5.7	4.3
Total debt/OPBDIT (times)	6.4	5.4
Interest coverage (times)	4.7	3.9

Source: Company, ICRA Research; 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

Current (FY2025)				Chronology of rating history for the past 3 years						
		FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	552.00	Feb 06, 2025	[ICRA]A-; rating watch with positive implications	Feb 29, 2024	[ICRA]A- (Stable)	Nov 01, 2022	Provisional [ICRA]BBB+ (Stable)	-	-
							Feb 03, 2023	[ICRA]A- (Stable)	-	-
Term loan	Long term	-	Feb 06, 2025	-	Feb 29, 2024	-	Nov 01, 2022	[ICRA]BBB (Stable)	Nov 23, 2021	[ICRA]BBB (Negative)
							Feb 03, 2023	[ICRA]A- (Stable); Withdrawn		
Working capital loan	Long term	-	Feb 06, 2025	-	Feb 29, 2024	-	Nov 01, 2022	[ICRA]BBB (Stable)	Nov 23, 2021	[ICRA]BBB (Negative)
							Feb 03, 2023	[ICRA]A- (Stable); Withdrawn		
Unallocated	Long term	-	Feb 06, 2025	-	Feb 29, 2024	-	Nov 01, 2022	[ICRA]BBB (Stable)	Nov 23, 2021	[ICRA]BBB (Negative)
							Feb 03, 2023	[ICRA]A- (Stable); Withdrawn		

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – 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 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 loan	Sept 2022	-	June 2038	552.00	[ICRA]A-; rating watch with positive implications

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

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Vikram V

+91 40 6939 6410

vikram.v@icraindia.com

Rachit Mehta

+91 22 6169 3328

rachit.mehta2@icraindia.com

Arnav Gandhi

+91 22 6169 3352

arnav.gandhi@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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ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



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