March 10, 2025

Avaada GJSustainable Private Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	798.00	[ICRA]A- (Stable); assigned
Long-term – Interchangeable - Letter of Credit	(580.00)	[ICRA]A- (Stable); assigned
Long-term – Non Fund Based - Bank Guarantee	42.24	[ICRA]A- (Stable); assigned
Total	**840.24**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating for Avaada GJSustainable Private Limited (AGPL) factors in its strong parentage of Avaada Energy Private Limited (AEPL), which has an established track record in the renewable energy sector with an operating solar power portfolio of ~5 GWp and under-development capacity of another ~17 GWp. AEPL is promoted by Avaada Ventures Private Limited (AVPL) and at present its shareholding is held by AVPL and GPSC Thailand (a part of PTT Group, Thailand) in a 57:43 ratio, respectively. While the committed equity and available cash within the Group will enable AEPL to scale up its portfolio in the near to medium term, the Group is exploring options to raise further capital to finance its underdevelopment portfolio. The long-term power purchase agreements (PPAs) at competitive tariffs and satisfactory generation performance of the assets under AEPL, along with the availability of long-term project finance at competitive interest rates have led to adequate debt coverage metrics for the Group.

The rating also factors in the limited demand and tariff risks for AGPL resulting from the presence of a 25 year long-term power purchase agreement (PPA) with Solar Energy Corporation of India (SECI) for its entire solar power capacity of 200 MWac at a fixed tariff. The superior tariff competitiveness offered by the project is a credit positive for the company. The company has secured the required debt funding for the project and the equity funding is expected to be infused by AEPL in a timely manner.

However, the rating is constrained by the execution risks given the under-construction status of the project. Nonetheless, comfort is drawn from the ongoing progress in land acquisition, construction of transmission line and pooling substation and the track record of the group in developing solar power projects. The company expects to commission the full project capacity in line with the SCoD as per the PPA of March 24, 2026.

Post commissioning, the company's cash flows and debt protection metrics would remain sensitive to its generation performance, given the single-part tariff under the PPAs. This constraint would be amplified by the geographic concentration of the asset. Any adverse variation in weather conditions and equipment performance can impact the generation levels and consequently the cash flows. The demonstration of generation performance in line or above the appraised P90 PLF levels remains a key credit monitorable. The availability of adequate moratorium period between the SCoD and repayment start date is expected to enable the company to build the cash flow buffer for meeting the debt servicing obligations. However, the rating is constrained by the refinancing risk associated with bullet repayment for the loan facilities at the end of the five-year tenure.

The company also remains exposed to a single counterparty, SECI post commissioning. However, comfort is drawn from the strong credit profile of SECI with expectations of timely payments. The company is also exposed to interest rate risks given the leveraged capital structure and floating interest rate, subject to regular resets. Further, the company's operations remain exposed to the regulatory risks associated with forecasting & scheduling regulations.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that AGPL would benefit from the presence of long-term PPAs for its portfolio with reputed customers and the track record of the group in developing and operating solar power projects.

Key rating drivers and their description

Credit strengths

Experienced promoter group with a demonstrated track record in the renewable energy sector - AGPL is a wholly-owned subsidiary of the renewable energy holding company of the Avaada Group i.e., AEPL, which has an established track record in the solar power sector. AEPL is backed by AVPL, which holds about a 57% stake and the remaining 43% stake is held by Global Renewable Synergy Company, which is a part of PTT Thailand. AEPL has an overall portfolio of ~22 GWp comprising an operating capacity of ~5 GW and the balance being under development/under construction.

Revenue visibility from long-term PPA at a fixed rate; superior tariff competitiveness - AGPL has signed a 25-year PPA for the entire capacity at a fixed tariff with SECI, providing revenue visibility and limiting the demand and pricing risks. Further, comfort is drawn from the superior tariff competitiveness offered by the project.

Debt coverage metrics expected to remain adequate, post commissioning – AGPL's debt coverage metrics are expected to be adequate over the debt tenure, supported by the long-term PPA and competitive interest rates. Also, the liquidity profile of the company, post commissioning, is expected to be supported by the presence of a one-quarter debt service reserve account (DSRA), which will be created on commissioning from the project cost. While AGPL is exposed to refinancing risk associated with bullet repayment for the loan facilities at the end of the five-year tenure, comfort is drawn from the healthy financial flexibility of the parent, Avaada Energy Private Limited.

Low counterparty risk – The rating draws comfort from the presence of a strong counterparty like SECI. Further, the additional provisions in the PPA related to compensation in case of grid curtailment or backdown and the termination liability provide comfort. These factors, along with the superior tariff competitiveness of the project, mitigate the counterparty credit risk for the company.

Credit challenges

Execution risks - The rating is constrained by execution risks, given the under-construction status of the project. Nonetheless, comfort is drawn from the availability of ~74% of the required land, and expectation of timely construction of the transmission line and the pooling substation and the track record of the Group in developing solar power projects. Further, the grid substation bay is scheduled to be completed by August 16, 2025. Any delay in the delivery of modules or commissioning of the grid substation would defer the project's commissioning and will remain a key credit monitorable for the company.

Debt metrics of solar projects sensitive to PLF levels - The company's debt coverage metrics remain exposed to the generation level, given the one-part 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 at a single location amplifies the generation risk. The demonstration of performance, post CoD, remains to be seen.

Interest rate and regulatory risks - The interest rate on the term loan availed by the company for its project is floating and subject to regular resets. The fixed tariff under the PPA and a leveraged capital structure expose AIPL's debt coverage metrics to the movement in interest rates. The company's operations are exposed to regulatory risks pertaining to the scheduling and forecasting requirements of solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects.

Liquidity position: Adequate

The liquidity position of AGPL is supported by the tie-up of debt funding for its solar power project and the availability of adequate liquidity with the parent to infuse the equity requirement. AEPL had infused 55% of the promoter contribution as on January 31, 2025, and disbursement of term debt is expected to begin shortly. Moreover, AEPL is expected to support the project in case of any cost overrun. The company does not have any debt repayment obligation in FY2025 and FY2026 and is expected to generate adequate cash flow from operations to meet the interest obligation, post CoD, in FY2027.

Rating sensitivities

Positive factors – ICRA could upgrade AGPL's rating following the successful commissioning of the project without any major cost overruns along with the demonstration of a satisfactory generation performance in line or above the P-90 estimate and timely payments from the customer. Also, the rating would remain sensitive to the credit profile of its parent, AEPL.

Negative factors – AGPL's rating can be downgraded in case of significant delays in commissioning the project or large cost overruns, impacting the project's credit metrics. The rating may also be downgraded if the actual generation performance, after commissioning, is lower than the P-90 level on a sustained basis, pulling down the cumulative DSCR to less than 1.15x, or if there are delays in payments from the customer, impacting its liquidity profile. Further, the rating would remain sensitive to the credit profile of its parent, AEPL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Solar
Parent/Group support	The rating is based on the implicit support from the parent company, Avaada Energy Private Limited
Consolidation/Standalone	The rating is based on the standalone financials of the company

About the company

AGPL is an SPV set up by AEPL as its wholly-owned subsidiary. The company is developing a 268.35 MW (DC)/200 MW (AC) solar power capacity at Bhachau in the Kachchh district of Gujarat. The energy generated from the 268.35-MW solar plant will be evacuated at the Lakhadia grid substation. AGPL has signed a 25-year PPA at a fixed tariff with SECI The scheduled CoD of the project under the PPA is March 24, 2026.

Key financial indicators (audited): Not meaningful as the project is under construction

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 10, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	798.00	[ICRA]A- (Stable)	-	-	-	-	-	-
Interchangeable - Letter of Credit	Long-term	(580.00)	[ICRA]A- (Stable)	-	-	-	-	-	-
Non Fund Based - Bank Guarantee	Long-term	42.24	[ICRA]A- (Stable)						

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long term – Non-fund based - Interchangeable	Very Simple
Non Fund Based - Bank Guarantee	Very 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	Fund-based – Term loan	FY2025	-	FY2030	798.00	[ICRA]A- (Stable)
NA	Interchangeable - Letter of Credit	NA	NA	NA	(580.00)	[ICRA]A- (Stable)
NA	Non Fund Based - Bank Guarantee	NA	NA	NA	42.24	[ICRA]A- (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

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Sumit Jhunjhunwala
+91 33 7150 1111
sumit.jhunjhunwala@icraindia.com

Devanshu Gupta
+91 124 4545 321
devanshu.gupta@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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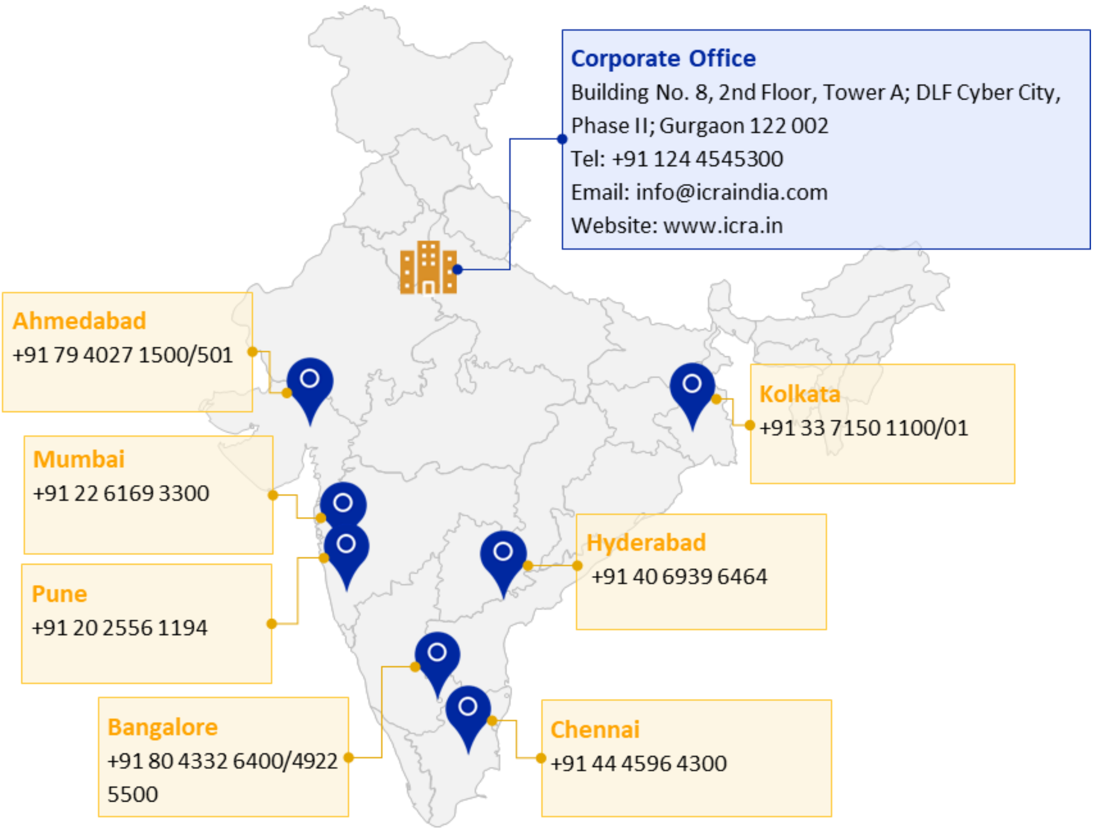
ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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