

March 24, 2025

Avaada Indsolar Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	285.93	285.93	[ICRA]A-(Stable); reaffirmed
Long term – Non-fund based - Bank guarantee	32.51	32.51	[ICRA]A-(Stable); reaffirmed
Total	318.44	318.44	

*Instrument details are provided in Annexure I

Rationale

The rating for Avaada IndSolar Private Limited (AISPL) factors in its strong parentage - Avaada Energy Private Limited (AEPL) - which has an established track record in the renewable energy (RE) sector with an operating solar power portfolio of ~5 GWp and under-development RE capacity of ~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 the 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 the 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 factors in the limited demand and tariff risks for AISPL because of the 15–25-year long-term power purchase agreements (PPAs) for its solar power project of 91 MWp at fixed tariffs under the group captive mode with reputed commercial and industrial (C&I) customers at competitive rates. The tariffs offered by the company are at a significant discount to the state grid tariff rates, resulting in savings for the customers. The tie-up of PPAs with customers having comfortable credit profile is expected to result in a timely receipt of payments.

However, the rating is constrained by stabilisation risks, as FY2025 is the first year of operations for the project following its commissioning in February 2024. The offtake by the PPA customers in 10M FY2025 remained lower than the contracted capacity due to the absence of a banking arrangement and delay in the commencement of supply by certain customers owing to pending regulatory approvals. The company sold the power not consumed by the PPA customers in the power exchanges. While the tariff realisation was lower than the PPA tariffs, the revenues and cash flows generated remained adequate to meet the debt servicing requirements during this period. AISPL signed a banking agreement with Uttar Pradesh Power Corporation Limited (UPPCL) in March 2025, which is expected to increase the offtake by the PPA customers to the contracted capacity level, going forward. Also, two pending customers are expected to start offtaking from April 2025, thereby reducing the exposure to the merchant market.

The company has secured project debt at a competitive cost with a long tenure of 18.25 years, which is expected to lead to adequate debt coverage metrics over the tenure of the debt. However, the company's cash flows and debt protection metrics remain sensitive to its generation performance, given the single-part tariff under the PPAs. This constraint is 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. Nonetheless, comfort is drawn from the demonstrated generation performance being in line with the appraised P-90 PLF level in 10M FY2025.

The rating also factors in the risk of cash flow mismatch as the PPAs have a lock-in period of 10-15 years, while the debt repayment is spread across 18.25 years. The competitive tariffs offered by the company to its customers against the HT

industrial grid tariff and the track record of the sponsor in securing PPAs with large C&I customers mitigate the risk to a certain extent. Also, the lender has a put option at the end of seven years of the loan tenure which can expose the company to refinancing risks. Nonetheless, the long asset life, the availability of PPAs and the Group's strengths are expected to be the mitigants here.

The company is also exposed to interest rate risks given the leveraged capital structure and floating interest rates, subject to regular resets. Further, the company's operations remain exposed to regulatory risks associated with forecasting & scheduling regulations, norms for captive projects and open access charges. Any significant increase in the open access charges or imposition of new charges would impact the competitiveness of the tariff offered under the PPAs.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that AISPL would benefit from the 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 – AISPL is a 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 Avaada Ventures Private Limited (AVPL), which holds about 57% stake and the remaining 43% is held by Global Renewable Synergy Company, which is a part of PTT Thailand. AEPL has an overall RE portfolio of over 22 GWp, comprising an operational capacity of ~5.0 GW and the balance is underdevelopment. AEPL is expected to provide financial support to AISPL, if required.

Revenue visibility from long-term PPAs; competitive tariff rates – AISPL has signed 15-25 year long-term PPAs for the entire 91 MWp at fixed tariffs with reputed C&I customers under the captive mode, providing revenue visibility and limiting the demand and pricing risks. The tariffs offered by the company are at a discount to the state grid tariff rates. Moreover, the power supplied by AISPL would enable the customers to meet their renewable purchase obligations and sustainability goals. While the offtake by the PPA customers was lower than the contracted capacity in FY2025, this is expected to improve going forward in view of the signing of the banking agreement and the expected commencement of offtake by two of the customers from April 2025.

Comfortable credit profile of customers – The payments are expected to be largely timely from the customers, as demonstrated so far, given the comfortable credit profile of the customers with whom the PPAs have been inked.

Adequate debt coverage metrics and liquidity profile – AISPL's debt coverage metrics are expected to be adequate with a cumulative DSCR of more than 1.25x over the debt tenure, supported by PPAs at attractive rates, the long tenure of the debt and competitive interest rates. Also, the liquidity profile of the company is supported by the presence of a one-quarter debt service reserve account (DSRA).

Credit challenges

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. However, comfort is drawn from demonstrated generation performance being in line with the appraised P-90 PLF level, in 10M FY2025.

Risk of cash flow mismatch owing to lower lock-in period under the PPAs in relation to debt tenure - The PPAs have a lock-in period of 10-15 years, lower than the debt repayment tenure of 18.25 years, which could lead to the risk of cash flow mismatch. Also, the termination payment provision in the PPAs does not cover the entire debt outstanding. Nonetheless, comfort can be drawn from the discount offered by the company to its customers against the HT industrial grid tariff, the track record of the sponsor in securing PPAs with large C&I customers and the notice period available at the time of PPA termination to enable the company to replace a customer.

Exposed to interest rate risks – The interest rates on the term loans availed by the company for its project is floating and subject to regular resets. The fixed tariffs under the PPAs and a leveraged capital structure expose the debt coverage metrics to the movement in interest rates.

Regulatory risks – 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. Also, the company remains exposed to regulations related to captive power projects and the adverse variation in open access charges, which could impact the competitiveness of the tariff offered. Further, a timely receipt of the open access approval remains important to ensure uninterrupted operations.

Liquidity position: Adequate

The liquidity of the company is expected to remain adequate, aided by positive cash flow from operations. The long-term PPAs at fixed rates for the solar power project and expectation of timely receipt of payments from the customers, given their comfortable credit profile, will support a steady cash flow. The debt repayment is scheduled to begin in June 2025, giving the project adequate time to stabilise. The company is expected to generate cash flow from operations of ~Rs. 17 crore in FY2026 against a debt repayment of Rs. 12 crore. Further, the company has a one-quarter DSRA in place.

Rating sensitivities

Positive factors - ICRA could upgrade the rating if the pending PPA customers commence power procurement on time and if the project demonstrates a generation performance in line or above the P-90 PLF estimate while receiving timely payments from the offtakers, leading to healthy debt coverage metrics on a sustained basis. Also, the rating could be upgraded if the credit profile of the parent, AEPL, improves.

Negative factors - The rating could be downgraded in case of a significant underperformance in generation or lower than minimum guaranteed offtake by the customers, adversely impacting the debt coverage metrics. Specific credit metrics for downgrade include the cumulative DSCR falling below 1.15 times. Also, any significant delays in receiving payments from the offtakers adversely impacting the liquidity profile would be a negative trigger. Further, the rating would remain sensitive to the credit profile of its parent, AEPL, and the weakening of linkages with AEPL.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	Parent Company: Avaada Energy Private Limited. The rating assigned to AISPL factors in the implicit support available from AEPL, if required
Consolidation/Standalone	Standalone

About the company

Avaada IndSolar Private Limited (AISPL) is a subsidiary of Avaada Energy Private Limited (AEPL). The company has set up a 91MWp/70MWac solar power capacity under the group captive mode in the Banda district of Uttar Pradesh. The project was commissioned in February 2024. The company has signed PPAs at fixed tariffs for a period of 15-25 years from the commissioning date (CoD). As required under the group captive regulations, the customers have subscribed to the shareholding of the company.

Key financial indicators (audited) - Not meaningful as the project was commissioned in February 2024

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-24-2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	285.93	[ICRA]A-(Stable)	Jan-03-24	[ICRA]A-(Stable)	-	-	-	-
Non-fund based – Bank guarantee	Long term	32.51	[ICRA]A-(Stable)	Jan-03-24	[ICRA]A-(Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Long term – Non-fund based - 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	Term loan	August 2023	-	FY2044	285.93	[ICRA]A- (Stable)
NA	Bank guarantee	August 2023	-	NA	32.51	[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 Jhunjunwala

+91 33 6521 6814

sumit.jhunjunwala@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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For more information, visit www.icra.in

ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



Branches



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