March 31, 2025

Aditya Birla Renewables Subsidiary Limited: [ICRA]AA- (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. Crore)	Rating action
Long term – Fund-based -Term loan	2,056.21	[ICRA]AA- (stable); assigned
Long term – Non-fund based - Bank guarantee	75.00	[ICRA]AA- (stable); assigned
Total	**2,131.21**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating for Aditya Birla Renewables Subsidiary Limited (ABRSL) factors in the company's strong parentage as a part of the Aditya Birla Group (ABG). ABRSL is a 74% subsidiary of Aditya Birla Renewables Limited (ABReL; rated [ICRA]AA (Stable)), which in turn is 100% held by Grasim Industries Limited (GIL; rated [ICRA]AAA (Stable)/ [ICRA]A1+), ABG's flagship company. As on February 28, 2025, ABReL has an operational renewable (RE) power capacity of ~1.46 GW and under-construction capacity of ~2.1 GW, which will take the overall group (ABReL and its subsidiaries) portfolio to over 3.6 GW by March 2026, with further plans to grow the RE platform, going forward. ABRSL benefits on the financial, operational and managerial front because of its strong parentage.

The rating positively factors in the high revenue visibility and low offtake risk for the operational solar power capacity of 34.2 MW (two assets in Odisha and Chhattisgarh within the premises of the customer) and an under-construction round-the-clock (RTC) project with a contracted capacity of 100 MW of ABRSL, by virtue of the long-term (25 years) power purchase agreements (PPA) signed with a strong counterparty - Hindalco Industries Limited (HIL) - under the group captive mode. ABRSL is currently setting up a inter-state transmission system (ISTS)-connected hybrid project offering RTC supply to HIL through a solar power project of 227.5 MWp (DC)and a wind power project 185.9 MW in Fatehgarh, Rajasthan (aggregating to 413.4 MW).

Additionally, the project has tied up with Greenko AP01 IREP Private Limited for using storage capacity of 60 MW/360 MWh from its pumped storage hydro plant (PSP) project in Andhra Pradesh, wherein the excess energy generated by the solar and wind power plants of ABRSL will be stored and subsequently supplied to HIL during periods of low generation. As per the PPA with HIL, ABRSL has an obligation to supply energy with a minimum annual capacity utilisation factor (CUF) of 85% of the 100-MW contracted capacity and at least 50% of the contracted capacity must be supplied in each 15-minute time block of the day. The tariff rates offered by ABRSL under the PPAs remain highly competitive against the grid tariffs and other sources of energy for HIL and would enable HIL to meet its renewable purchase obligation (RPO) and sustainability targets.

Going forward, ABRSL's debt coverage metrics are expected to be adequate with a cumulative debt service coverage ratio (DSCR) over 1.25x over the debt tenure, supported by the long-term PPAs, the long tenure of the debt and competitive interest rates. Also, the liquidity profile of the company is expected to be supported by the presence of a one-quarter debt service reserve and expectation of timely payments from the customer.

The rating is, however, constrained by the execution risks related to the under-construction RTC project in Fatehgarh, Rajasthan. While there has been reasonable progress in land acquisition and installation of wind turbine generators, the erection and installation of module mounting structures and solar modules is yet to commence. Moreover, the project is awaiting necessary approvals for the construction of a transmission line from the pooling substation of the project to the grid substation. This plant will be connected to the Fatehgarh-III substation via a 400-KV line . Nonetheless, the company is making progress in acquiring the right of way (ROW) and construction of the foundations for the transmission line and expects to receive the approval shortly. This approval remains the key monitorable for the company.

The scheduled commercial operation date (SCoD) for the project as per the PPA is June 2025. However, given the delays in the execution, the project is now expected to be commissioned in March 2026. The company is engaged with HIL for taking the necessary extension in SCoD. The SCoD, as per the loan documents, is March 2026, providing a 12-month window for the company to complete the construction. The timely completion of the under-construction RTC project remains a key monitorable for the company.

Further, the waiver of ISTS charges for wind and solar power projects is available for projects commissioned till June 30, 2025. Hence, on account of the delay in project commissioning beyond this date, the company will have to bear the ISTS charges (25% of the applicable charges) if the Government doesn't extend the waiver. Nonetheless, the company is hopeful that extension of waiver will be considered positively by the government authorities as represented by the industry players.

The company's revenues and cash flows would remain sensitive to the variation in weather conditions, seasonality and equipment performance, because of the single-part fixed tariff under the PPA. Hence, the ability of the company to achieve the design P-90 PLF and meet the contractual supply obligations, especially for the RTC project, on a sustained basis remains crucial from a credit perspective. ICRA notes that HIL has the right of first refusal to offtake excess electricity generated over and above the contracted energy. However, the company will be exposed to volume and tariff risks in the merchant market, if HIL does not offtake the excess energy generated.

Further, the project credit metrics would remain exposed to the movement in interest rates, given the fixed tariff under the PPA, the floating interest rates and a leveraged capital structure. The company's operations also remained exposed to the regulatory risk associated with forecasting & scheduling regulations and adverse changes in regulations for captive projects.

The Stable outlook assigned to the long-term rating of the company is supported by the long-term PPAs providing revenue visibility and a strong counterparty, i.e., HIL, along with the benefits of being a part of the ABG Group.

Credit strengths

Strong financial, operational and managerial support as part of Aditya Birla Group – ABRSL is a subsidiary of ABReL, which is a 100% subsidiary of GIL, ABG's flagship entity. The Group has an operational solar power portfolio of ~1.46 GW and under-construction capacity of ~2.1 GW, which will take the overall group (ABReL and its subsidiaries) portfolio to over 3.6 GW by March 2026, with further plans to grow the RE platform, going forward. GIL has significant control over the operations of the renewable arm. The linkages between GIL and ABReL are very strong, given the significant portion of operational capacity procured by the Group entities and the common centralised resources. The Group remains committed to providing need-based support to ABReL's assets. ABRSL benefits on the financial, operational and managerial front because of its strong parentage.

Revenue visibility from long-term PPAs at competitive tariff rates – ABRSL has signed long-term (25 years) PPAs with HIL for 34.2-MW operational solar capacity and 100-MW contracted capacity for the RTC project at a competitive tariff, providing high revenue visibility and low offtake risks for the company. The tariffs offered by the projects remain competitive against the grid tariffs and other sources of energy and would enable HIL to meet its RPO and sustainability targets.

Strong credit profile of customer - The rating draws comfort from the presence of a strong counterparty like HIL which has resulted in timely payments for the company. Moreover, comfort can be drawn from the presence of a termination payment clause in the PPA, ensuring fair compensation to ABRSL. Also, the PPA has a deemed generation clause ensuring payments to ABRSL in case of a disruption in generation due to reasons attributable to HIL.

Adequate debt coverage metrics and liquidity profile, post commissioning – ABRSL's debt coverage metrics are expected to be adequate with the cumulative DSCR estimated at ~1.25x over the debt tenure, supported by the availability of long-term PPAs, the long tenure of the debt and competitive interest rates. The liquidity profile of the company is expected to be supported by the presence of a one-quarter debt service reserve over the tenure of the term loan. Additionally, ABReL is expected to extend funding support to ABRSL in case of any cash flow mismatch.

Credit challenges

Project execution risks – ABRSL remains exposed to execution risk due to the under-construction status of the RTC project in Fatehgarh, Rajasthan. While there has been reasonable progress in land acquisition and installation of wind turbine generators, the erection and installation of the module mounting structures and solar modules is yet to commence. Moreover, the project is awaiting necessary approvals for the construction of the transmission line from the pooling substation of the project to the grid substation. This plant will be connected to Fatehgarh-III substation via a 400-KV line. The receipt of necessary approvals and the completion of the under-construction RTC project within the SCoD timeline of the lender (March 2026) remain the key monitorable for the company.

Debt metrics sensitive to PLF levels - The company's revenues and cash flows would remain sensitive to the variation in weather conditions and seasonality because of the single-part fixed tariff under the PPAs. Any adverse variation in weather conditions and/or equipment performance may impact the power generation and consequently the cash flows. Hence, the ability of the company to achieve the design P-90 PLF and contractual obligations under the PPAs, on a sustained basis, remains crucial from a credit perspective. ICRA notes that HIL has the right of first refusal to offtake the excess electricity generated over and above the contracted energy. However, the company will be exposed to volume and tariff risks in the merchant market, if HIL does not the offtake the excess energy generated.

Exposed to interest rate risks - The interest rate on the term loans 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 ABRSL's debt coverage metrics to the movement in interest rates.

Regulatory risks - The company's operations remain exposed to regulatory risks pertaining to the scheduling and forecasting requirements applicable for renewable power projects, given the variable nature of power generation. Also, the company remains exposed to regulations related to captive power projects.

Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate with expected cash flow for debt servicing of ~Rs. 14.5 crore in FY2026 against a repayment obligation of ~Rs. 11 crore. In addition, the company has cash balances of Rs. 2.58 crore, including DSRA equivalent to one quarter of debt servicing as on February 28,2025. ICRA also notes the debt tie-up and part infusion of promoter contribution for the under-construction project. ABReL is expected to bring in the pending promoter contribution for the under-construction project, as per the construction progress. Further, ABReL is expected to support the company in case of any cash flow mismatch and cost overrun for the under-construction project.

Rating sensitivities

Positive factors – ICRA could upgrade ABRSL's rating if the credit profile of its parent, i.e., ABReL, improves. ICRA could also upgrade the rating if the under-construction ISTS project achieves significant progress with the necessary regulatory approvals in place.

Negative factors – The rating could be downgraded in case of any major cost or time overruns in the under-construction project, impacting the company's coverage metrics. Also, the rating may be affected if the generation performance is lower than the estimated levels, bringing down the cumulative DSCR below 1.20 times, or if there are delays in payments from the offtaker impacting its liquidity position. Further, any weakening of linkages with the parent or a deterioration of the credit profile of the parent will be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar Power-Wind
Parent/Group support	Parent Company: Aditya Birla Renewables Limited ICRA expects ABRSL's parent, ABReL, to be willing to extend financial support to ABRSL, should there be a need, given the strategic importance that ABRSL has for ABReL and out of its need to protect its reputation from distress in a group entity
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

ABRSL is SPV promoted by ABReL (74% stake) and HIL (26% stake). At present, the company has an operational solar capacity of 34.2 MWp across Odisha (30MWp) and Chhattisgarh (4.2MWp). Apart from the operational project, ABRSL is setting up a 100-MW ISTS-connected RTC project under the group captive mode, which consists of a solar power project of 227.5 MWp (DC) and a wind power project 185.9 MW in Fatehgarh, Rajasthan. The company has a long-term PPA for 25 years with HIL at fixed tariff rates.

Key financial indicators (audited)

ARSL	FY2023	FY2024
Operating income	15.2	14.3
PAT	1.6	0.2
OPBDIT/OI	84.4%	80.3%
PAT/OI	10.2%	1.3%
Total outside liabilities/Tangible net worth (times)	3.0	3.1
Total debt/OPBDIT (times)	6.6	7.0
Interest coverage (times)	1.8	1.5

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	2056.21	Mar 31, 2025	[ICRA]AA- (stable)	-	-	-	-	-	-
Long term – Non-fund-based - Bank guarantee	Long-Term	75.00	Mar 31, 2025	[ICRA]AA- (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	**Long term- Fund-based -Term loan**	FY2025	NA	FY2045	2056.21	[ICRA]AA- (stable)
NA	**Long term – Non-fund-based - Bank guarantee**	NA	NA	NA	75.00	[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

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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