

March 31, 2025

## Aditya Birla Renewables Energy Limited: [ICRA]AA (Stable) assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based - Term loan	260.96	[ICRA]AA (Stable); assigned
Long term – Non-fund based - Bank guarantee	5.00	[ICRA]AA (Stable); assigned
<b>Total</b>	<b>265.96</b>	

\*Instrument details are provided in Annexure I

### Rationale

The assigned rating for Aditya Birla Renewables Energy Limited (ABReEL) factors in the company's strong parentage as a part of the Aditya Birla Group (ABG). ABReEL 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. ABReEL 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 56.9 MW (four assets in Madhya Pradesh and Rajasthan within the premises of the customer) and under-construction renewable power capacity of 50.5 MW (across two assets in Madhya Pradesh and Gujarat), by virtue of the long-term (22-25 years) power purchase agreements (PPA) signed with a strong counterparty - UltraTech Cement Limited (UTCL) - under the group captive mode. ICRA notes that the under-construction capacity of 50.5 MW across two assets in Madhya Pradesh and Gujarat is expected to be operational by April 2025, with only some regulatory approvals pending. Also, the tariff rates offered by ABReEL under the PPAs remain highly competitive against the grid tariffs and other sources of energy for UTCL and would enable UTCL to meet its renewable purchase obligation (RPO) and sustainability targets. This apart, the company has another 144.7 MW (solar capacity of 75.4 MWp and wind capacity of 69.3 MW) under development in Rajasthan, for which the PPA is expected to be signed with UTCL shortly.

Going forward, ABReEL's debt coverage metrics are expected to be adequate with the cumulative debt service coverage ratio (DSCR) of 1.24x over the debt tenure, supported by long-term PPAs, the long tenure of the debt and competitive interest rate. 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, however, is constrained by the limited track record of operations, with 55% (31.5 MW) of the operational capacity of 56.9 MW operational for less than a year. Also, the average PLF of the operational assets has remained below the P-90 estimates in 9M FY2025 on account of project-specific factors, such as excessive soiling losses and lower radiation levels. While the company has taken corrective measures, a sustained improvement in the generation performance in line or above the appraised P-90 estimate, including for the upcoming capacity, remains a key monitorable for the company. The rating is also constrained by the execution risks for the under-construction project of 144.7 MW (solar capacity of 75.4 MWp and wind capacity of 69.3 MW) in Rajasthan, which is in initial stages of development.

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 PPAs. Hence, the ability of the company to achieve the design P-90 PLF for its projects, on a sustained basis, remains crucial from a credit perspective. Further, the project credit

metrics would remain exposed to the movement in interest rates, given the fixed tariff under the PPAs, floating interest rates and a leveraged capital structure. Further, the company's operations remain exposed to regulatory risks associated with forecasting & scheduling regulations, adverse changes in captive project norms and variation in open access charges, which could impact the competitiveness of the tariff offered for open access-based 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., UTCL, along with the benefits of being a part of the ABG Group.

## Key rating drivers and their description

### Credit strengths

**Strong financial, operational and managerial support as part of Aditya Birla Group** – ABReEL 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 the 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. ABReEL benefits on the financial, operational and managerial front because of its strong parentage.

**Revenue visibility from long-term PPAs at competitive tariff rates** – ABReEL has signed long-term (22-25 years) PPAs with UTCL for the operational and under-construction capacity at a competitive tariff, providing high revenue visibility and low offtake risks for the company. The tariff offered by the projects remain competitive against the grid tariffs and other sources of energy and would enable UTCL to meet its RPO and sustainability targets.

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

**Adequate debt coverage metrics and liquidity profile** – ABReEL's debt coverage metrics are expected to be adequate with the cumulative DSCR estimated at ~1.24x 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 ABReEL in case of any cash flow mismatch.

### Credit challenges

**Limited track record of operations for majority of operational projects and project execution risks for under-construction capacity** – Around 55% (31.5 MW) of the operational capacity of ABReEL has a track record of less than a year. Also, the average PLF of the operational assets has remained below the P-90 estimates in 9M FY2025 on account of project-specific factors, such as excessive soiling losses and lower radiation levels. While the company has taken corrective measures, a sustained improvement in the generation performance in line or above the appraised P-90 estimate, including for the upcoming capacity, remains a key monitorable for the company. ICRA notes that the under-construction capacity of 50.5 MW across two assets in Madhya Pradesh and Gujarat is expected to be operational by April 2025, with only some regulatory approvals pending. This apart, ABReEL remains exposed to the execution risks for the under-development project of 144.7 MW (solar capacity of 75.4 MWp and wind capacity of 69.3 MW) which in the initial stages of development. A timely development of this project remains a 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 PPA. 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 for its projects, on a sustained basis, remains crucial from a credit perspective.

**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 PPAs and a leveraged capital structure expose ABReEL’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 and adverse variation in open access charges, which could impact the competitiveness of the tariff offered for open access-based projects.

### Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate with expected cash flows for debt servicing of ~Rs. 62 crores in FY2026 against a repayment obligation of ~Rs. 51 crore. In addition, the company had cash balances of Rs. 4.87 crore, including a one-quarter DSRA, as on February 28, 2025. The funding for the under-construction asset is expected to be met through promoter contribution and debt funding. Further, ABReL is expected to support the company in case of any cash flow mismatch.

### Rating sensitivities

**Positive factors** – ICRA could upgrade ABReEL’s rating if the credit profile of its parent, i.e., ABReL, improves.

**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 the 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	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Power - Solar</a> <a href="#">Power - Wind</a>
Parent/Group support	Parent Company: Aditya Birla Renewables Limited ICRA expects ABReEL’s parent, ABReL, to be willing to extend financial support to ABReEL, should there be a need, given the strategic importance that ABReEL 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

ABReEL is an SPV promoted by ABReL (74% stake) and UTCL (26% stake). The company currently has an operational solar capacity of 56.9 MWp across Sidhi in Madhya Pradesh (8.6 MWp), Maihar in Madhya Pradesh (10.8 MWp), Pali in Rajasthan (6.0 MWp) and Sengaon in Maharashtra (31.5 MWp). Apart from the operational project, the under-construction capacity of 50.5 MW across Maihar, Madhya Pradesh (solar capacity of 1.7 MWp), and Bhodki in Gujarat (solar capacity of 25.7 MWp and wind capacity of 23.1 MW) is expected to be operational by April 2025. The company has long-term PPAs with UTCL at fixed

tariff rates for this capacity. ABReEL is also setting up a 144.7-MW hybrid project in Rajasthan, wherein the PPA is expected to be signed shortly.

#### Key financial indicators (audited)

ABReEL (Standalone)	FY2023	FY2024
Operating income	8.1	9.7
PAT	0.2	0.5
OPBDIT/OI	68.8%	77.6%
PAT/OI	2.4%	4.8%
Total outside liabilities/Tangible net worth (times)	3.6	3.7
Total debt/OPBDIT (times)	12.3	36.2
Interest coverage (times)	1.6	1.4

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					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 31, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	260.96	[ICRA]AA (Stable)	-	-	-	-	-	-
Bank guarantee	Long term	5.00	[ICRA]AA (Stable)	-	-	-	-	-	-

#### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Long term/Short term – Fund-based working capital	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	FY2025	NA	FY2044	260.96	[ICRA]AA (Stable)
NA	Bank guarantee	NA	NA	NA	5.00	[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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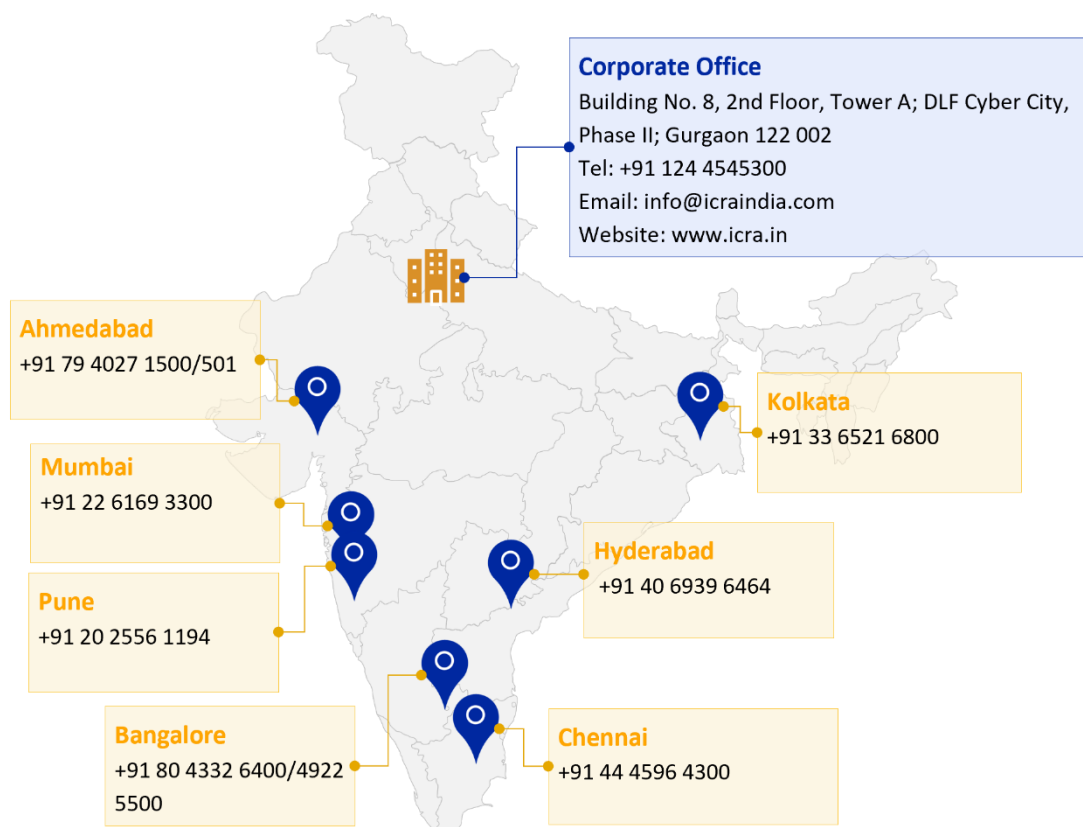
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