March 31, 2025(Revised)

Aditya Birla Renewables Solar Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term- Fund-based -Term loan	127.74	216.74	[ICRA]AA (Stable); reaffirmed and assigned for enhanced amount
Long term – Non-fund based - Bank guarantee	0.00	2.00	[ICRA]AA (Stable); assigned
Total	**127.74**	**218.74**	

**Instrument details are provided in Annexure I*

Rationale

The rating action for Aditya Birla Renewables Solar Limited (ABReSL) factors in the company's strong parentage as a part of the Aditya Birla Group (ABG). ABReSL 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. ABReSL 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 renewable power capacity of 143.6 MW (solar capacity of 101.6 MWp and wind capacity of 42 MW across multiple sites in Madhya Pradesh, Maharashtra, Karnataka, Gujarat and Uttar Pradesh) and under-construction renewable power capacity of 32.6 MW (solar capacity of 22.1 MWp and wind capacity of 10.5 MW across two sites in Karnataka and Gujarat), by virtue of the long-term power purchase agreements (PPA) signed with a strong counterparty - Hindalco Industries Limited (HIL) - under the group captive mode. The tariff rates offered by ABReSL 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, ABReSL's debt coverage metrics are expected to be adequate with a cumulative debt service coverage ratio (DSCR) of ~1.25x over the debt tenure, supported by the long-term PPAs, the long tenure of the debt and competitive interest rates. Also, the company's liquidity profile 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 execution risks for the under-construction projects of 32.6 MW across two locations at Belgavi in Maharashtra (solar capacity of 11.7 MWp) and Dahej in Gujarat (solar capacity of 10.4 MWp and wind capacity of 10.5 MW). Land acquisition for the Dahej project is largely completed and the installation of solar module and wind turbine generator (WTG) machines is expected to start shortly. However, for the Belgavi project, construction will start once the land is provided by HIL. Hence, ABReSL's ability to commission the projects as per the scheduled commissioning date of December 2025 and budgeted cost remains critical. Also, ~30% of the operational capacity of 143.6 MW has been commissioned in the last one year, reflecting the limited track record of operations of these projects. Further, the average PLF of the operational assets has remained below the P-90 estimates in FY2024 and 9M FY2025 on account of project-specific factors, such as excessive soiling losses, lower radiation level and interruption at some sites due to storms. While the company has taken corrective measures, a sustained improvement in the generation performance in line or above the appraised P-90 estimate remains a key monitorable for the company.

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 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 floating interest rates and a leveraged capital structure. Further, the company's operations remain exposed to the regulatory risk associated with forecasting & scheduling regulations, 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., HIL which will result in timely collections, 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 – ABReSL 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. ABReSL benefits on the financial, operational and managerial front because of its strong parentage.

Revenue visibility from long-term PPAs with HIL; superior tariff competitiveness – ABReSL has signed long-term (22-25 years) PPAs with HIL for the operational and under-construction capacity at competitive tariffs, providing high revenue visibility and low offtake risks for the company. The weighted average tariff for the full capacity stands at ~Rs. 3.2 per unit, with escalation available for the 49.2-MW operating capacity. The tariff is fixed for the entire PPA tenure for the rest of the projects. The tariff 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.

Presence of strong counterparty and timely payments – The presence of a strong counterparty like HIL is expected to result in timely payments for the company, as demonstrated so far for the operating capacity. Moreover, comfort can be drawn from the presence of a termination payment clause in the PPAs, ensuring fair compensation to ABReSL. Also, the PPAs have a deemed generation clause, ensuring payments to ABReSL in case of a disruption in generation due to reasons attributable to HIL.

Long tenure of project debt and cost-competitive debt likely to result in adequate debt coverage metrics – ABReEL'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 ABReSL in case of any cash flow mismatch.

Credit challenges

Execution risk for under-construction projects and limited track record of generation for some operational projects – The company remains exposed to execution risks for the under-construction projects of 32.6 MW across two locations at Belgavi in Maharashtra (solar capacity of 11.7 MWp) and Dahej in Gujarat (solar capacity of 10.4 MWp and wind capacity of 10.5 MW). ABReSL's ability to commission the projects as per the applicable timelines and budgeted cost remains critical. Also, ~30% of the operational capacity of 143.6 MW has been commissioned in the last year, reflecting the limited track record of operations for these projects. Further, the average PLF of the operational assets has remained below the P-90 estimates in FY2024 and

9M FY2025 on account of project-specific factors, such as excessive soiling losses, lower radiation level and interruption at some sites due to storms. While the company has taken corrective measures, a sustained improvement in the generation performance in line or above the appraised P-90 estimate remains a key monitorable.

Vulnerability of cash flows to variation in weather conditions – 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 for its projects, on a sustained basis, remains crucial from a credit perspective.

Leveraged capital structure and exposure to interest rate risk – The interest rate on the term loans availed by the company for its project is floating and subject to regular resets. The single-part nature of the tariff in the PPAs and a leveraged capital structure expose ABReSL's 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 renewable power projects. 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 from operations of ~Rs. 40.5 crore in FY2026 against a repayment obligation of ~Rs. 18.3 crore in the year. In addition, the company has cash balances of Rs. 31.39 crore, including a DSRA equivalent to one quarter of debt servicing as on February 28, 2025. The funding for the under-construction assets is expected to be met through equity from sponsor and debt funding. ICRA also draws comfort from the fact that this entity belongs to the Aditya Birla Group and support from the Group will be forthcoming in case of a cash flow requirement.

Rating sensitivities

Positive factors – ICRA could upgrade ABReSL'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 time or cost overruns in commissioning the under-construction projects, 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 ABReSL's parent, ABReL, to be willing to extend financial support to ABReSL, should there be a need, given the high strategic importance that ABReSL has for ABReL
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

ABReSL is a 74% subsidiary of ABReL with the remaining 26% shareholding held by HIL. ABReSL has a total capacity of 176.2 MW of which ~143.6-MW capacity is operational and ~32.6 MW is under construction across multiple locations in Gujarat, Karnataka, Maharashtra, Madhya Pradesh and Uttar Pradesh. All the operational and under-construction projects are set up/being set up under the group captive mode wherein the counterparty is HIL.

Key financial indicators (Audited)

ABReSL Standalone	FY2023	FY2024
Operating income (Rs. crore)	20.3	43.3
PAT (Rs. crore)	2.7	-13.1
OPBDITA/OI (%)	82.2%	72.9%
PAT/OI (%)	13.4%	-30.2%
Total outside liabilities/Tangible net worth (times)	3.3	3.8
Total debt/OPBDITA (times)	20.0	13.1
Interest coverage (times)	1.9	1.0

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)	Mar 31, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	216.74	[ICRA]AA (Stable)	28-JUN-2024	[ICRA]AA (Stable)	-	-	24-MAR-2023	[ICRA]AA (Stable)	21-JUL-2021	[ICRA]AA (Stable)
				-	-	-	-	-	-	25-AUG-2021	[ICRA]AA (Stable)
				-	-	-	-	-	-	02-DEC-2021	[ICRA]AA (Stable)
Long term-bank guarantee-non fund based	Long Term	2.00	[ICRA]AA (Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Term loan	Simple
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 No	Instrument name	Date of issuance/Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
-	**Term loan-I**	June 2021	-	June 2037	105.74	[ICRA]AA (Stable)
-	**Term loan-II**	September 2021	-	December 2040	22.00	[ICRA]AA (Stable)
-	**Term loan-III**	July 2024	-	June 2044	38.00	[ICRA]AA (Stable)
-	**Term loan-IV**	July 2024	-	September 2044	51.00	[ICRA]AA (Stable)
-	**Bank guarantee**	July 2024	-		2.00	[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

Corrigendum

Document dated March 31, 2025, has been corrected with revision as detailed below:

- In rating history section on Page No. 4
- The rating history table for the year FY2022 has been suitably modified

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

Venkatesh Joshi
+91 22 6169 3379
venkatesh.joshi@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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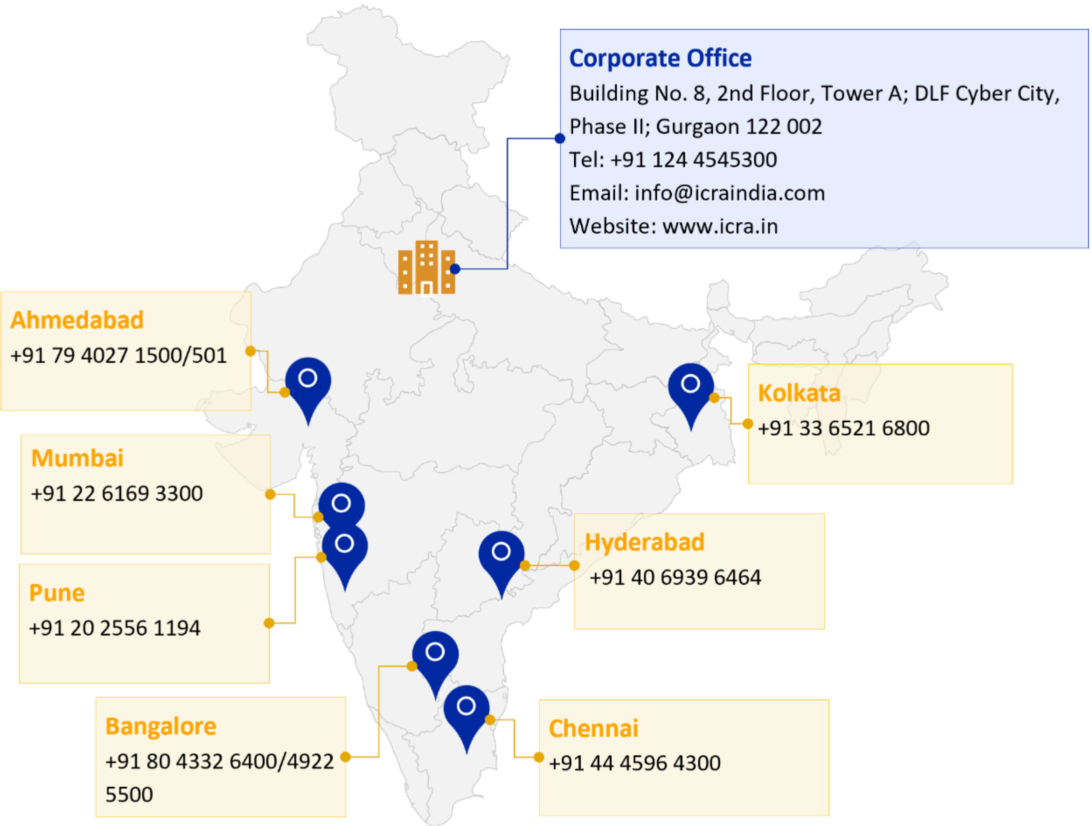
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



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