

March 26, 2024

Project Twelve Renewable Power Private Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	899.86	[ICRA]A- (Stable); assigned
Long-term fund-based – Cash credit	3.80	[ICRA]A- (Stable); assigned
Long term – Non-fund based – Bank guarantee	35.00	[ICRA]A- (Stable); assigned
Long term - Unallocated	1.34	[ICRA]A- (Stable); assigned
Total	940.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA's assigned rating for Project Twelve Renewable Power Private Limited (PTRPPL) factors in the managerial and financial support from a strong parent – Ayana Renewable Power Private Limited (ARPPL; rated [ICRA]AA- (Stable)/[ICRA]A1+). ARPPL's credit profile is supported by its superior financial flexibility because of its strong sponsors — National Investment and Infrastructure Fund Limited (NIIF), British International Investment (BII; erstwhile CDC Group Plc, a UK Government-owned development finance institution) and Green Growth Equity Fund (GGEF) - and the large capital commitments made by them. The sponsors have made a capital commitment of \$721 million in ARPPL till date with NIIF holding 51% along with a majority board representation.

The rating also considers the limited demand and tariff risks for PTRPPL's 141.9-MW wind power project due to the 25-year long-term power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL) for the entire project capacity at a fixed tariff of Rs. 2.90 per unit. Further, ICRA favourably takes note of the cost-competitive tariff rate offered by the project, which is lower than the average power procurement cost (APPC) of GUVNL.

Further, the ratings also consider the low funding risk for the project as the entire debt funding (Rs. 899.86 crore) has been tied up with a long maturity profile and with 59% of promoter contribution infused till date. Post commissioning, the company's debt coverage metrics are expected to remain adequate, supported by the long tenure of the project debt and a competitive interest rate.

The ratings are, however, constrained by the execution risks associated with project construction, given the progress on land acquisition (60.5% acquired) and WTG installation (7% completed) as on March 05, 2024. Moreover, given the single-part nature of the fixed tariff under the PPA, the revenues and cash flows of the company would remain sensitive to the variation in weather conditions and wind seasonality. Additionally, the company remains exposed to asset concentration risk, as the entire capacity is located at a single site in Gujarat. Therefore, the ability of the project to achieve the design P-90 PLF of 37.19%, post commissioning, in a sustained manner 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 PPA, a leveraged capital structure with the project cost being funded through debt to equity of 79:21 and floating interest rates. Also, the company remains exposed to the regulatory challenges of implementing the scheduling and forecasting framework for the wind power sector.

The Stable outlook assigned to the long-term rating of the company factors in the expected commissioning of the project within the proposed timelines, presence of established suppliers and the availability of required funding.

Key rating drivers and their description

Credit strengths

Established track record of Ayana Group in power sector - The Ayana Group is backed by NIIF, BII and GGEF. NIIF is anchored by the GoI in collaboration with leading global and domestic institutional investors and is India's first sovereign investment fund. The full ownership of the BII belongs to the Secretary of State for International Development, which is controlled by the UK Government. EverSource Capital, a joint venture between Everstone Capital and Lightsource BP, is the fund manager of GGEF, a \$700-million target private fund, which has NIIF and the UK Government as anchor investors. All the three shareholders have a committed capital of \$721 million, which increased from \$330 million earlier. Moreover, NIIF increased its shareholding to 51% as of November 2021 from 25.5% as of March 2021, along with having majority board representation. ICRA notes that ARPPL is expected to remain strategically important to NIIF, reflected in the largest equity commitment from its master fund. AAROPL enjoys strong managerial and financial support, being part of the Ayana platform. ARPPL has a portfolio of 4.2 GW renewable assets, comprising operating capacity of 1.59 GW and under-development capacity of 2.61 GW.

Revenue visibility due to long-term PPA with GUVNL; superior tariff competitiveness – PTRPPL has low offtake risks owing to the long-term (25-year) PPA with GUVNL at a competitive tariff of Rs. 2.90 per unit for the entire duration of the project. The long-term PPA provides revenue visibility for the company. The rating positively notes the competitiveness of the tariff for the offtaker. The bid tariff of Rs. 2.90 per unit remains competitive against the average power purchase cost of the utilities.

Low counterparty credit risk – The presence of a strong intermediate counterparty like GUVNL ([ICRA]AA- (Stable)/[ICRA]A1+) is expected to lead to timely realisation of payments under the PPA. Moreover, the payment security mechanism in the PPA arrangements also provides comfort.

Adequate debt coverage metrics expected post commissioning – The company's debt coverage metrics are expected to remain adequate over the debt repayment tenure with a cumulative DSCR of ~1.20x, supported by the long-term PPA, long tenure of the project debt and a competitive interest rate. A significant portion of the promoter contribution for the project is in the form of debt, which remains subordinated to the project debt and is subject to restricted payment conditions stipulated by the lenders.

Credit challenges

High execution risks – PTRPPL remains exposed to high execution risks, considering the pending land acquisition (60% acquired as on March 05, 2024). While comfort can be drawn from the availability of the required funding, the acquisition of the balance land parcels and construction of the evacuation infrastructure remains important to commission the full capacity without further delays.

Vulnerability of cash flows to variation in weather conditions - The debt metrics for the wind power project of PTRPPL remain sensitive to the generation level, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions may impact the PLF and consequently the cash flows. The geographical concentration of the asset amplifies the generation risk. Post commissioning, the ability of the company to achieve the appraised P-90 estimate remains key from a credit perspective.

Interest rate risk - The company's debt coverage metrics remain exposed to any increase in interest rates, given the single-part nature of the fixed tariff in the PPA, a leveraged capital structure and floating interest rates.

Regulatory risk of implementing scheduling and forecasting framework for wind sector - The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for wind power projects.

Liquidity position: Adequate

The liquidity of the company is expected to remain adequate with the required funding for the project in place. The sponsor is expected to support the project in case of any cost overrun. Post commissioning, the liquidity profile is expected to be supported by timely payments from GUVNL and a provision for a debt service reserve of one quarter.

Rating sensitivities

Positive factors – ICRA could upgrade PTRPPL’s rating if the project achieves timely commissioning and stabilisation without any major cost overrun. An improvement in the credit profile of the parent i.e. Ayana Renewable Power Private Limited (ARPPL) could also lead to an upgrade.

Negative factors – Pressure on the rating could arise if there are significant delays in commissioning the project, leading to cost overrun and impacting the cash flow generation. The rating could be revised downwards if the credit profile of the parent i.e. Ayana Renewable Power Private Limited (ARPPL), weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers
Parent/Group support	Parent/Group Company: Ayana Renewable Power Private Limited. ICRA expects PTRPPL’s parent, ARPPL, to be willing to extend financial support to PTRPPL, should there be a need, given the strategic importance that PTRPPL has for ARPPL
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

The company - Project Twelve Renewable Power Private Limited - was incorporated on September 2021 as a special purpose vehicle (SPV) of Ayana Renewable Power Private Limited. The company is developing a 141.9-MW wind power project in the Amreli district of Gujarat, which is expected to be commissioned by December 14, 2024. PTRPL has signed a long-term power purchase agreement (PPA) with Gujrat Urja Vikas Nigam Limited (GUVNL) at bid tariff of Rs. 2.90/unit for the sale of power for a period of 25 years from COD.

Key financial indicators - Not applicable as the company is in the project execution phase

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 05, 2024 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 26, 2024	-	-	-
1 Term loans	Long term	899.86	171.62	[ICRA]A-(Stable)	-	-	-
2 Cash credit	Long term	3.80	-	[ICRA]A-(Stable)	-	-	-
3 Bank guarantee	Long term	35.00	-	[ICRA]A-(Stable)	-	-	-
4 Unallocated	Long term	1.34	-	[ICRA]A-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based - Term loan	Simple
Long term – Fund-based - Cash credit	Simple
Long term – Non-fund based – Bank guarantee	Very Simple
Long term - Unallocated	NA

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 loans	Aug-2023	NA	FY2045	899.86	[ICRA]A-(Stable)
NA	Cash credit	Aug-2023	NA	NA	3.80	[ICRA]A-(Stable)
NA	Bank guarantee	NA	NA	NA	35.00	[ICRA]A-(Stable)
NA	Unallocated	NA	NA	NA	1.34	[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

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