January 17, 2025

Adyah Solar Energy Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Term loan	961.13	906.77	[ICRA]A+ (Stable); reaffirmed
Long term – Working capital	30.00	30.00	[ICRA]A+ (Stable); reaffirmed
Short term – Non-fund based limits	20.00	20.00	[ICRA]A1; reaffirmed
Long term – Unallocated	132.87	187.23	[ICRA]A+ (Stable); reaffirmed
Total	**1,144.00**	**1,144.00**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation for Adyah Solar Energy Private Limited (ASEPL) 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 from having strong sponsors. The sponsors - National Investment and Infrastructure Fund Limited (NIIF), British International Investment (BII; erstwhile CDC Group Plc) and EverSource Capital through its fund Green Growth Equity Fund (GGEF) - have made a capital commitment of $721 million in the company. ICRA notes that NIIF holds 51% in ARPPL, with significant equity commitment from its master fund. As of October 2024, the shareholders have infused ~Rs. 3,750 crore in the platform.

The ratings continue to consider the operational track record of more than five years and the satisfactory generation performance for the 300-MW solar asset of ASEP since commissioning. The PLF performance in FY2024 stood at 26.37% against 26.09% in FY2023. However, the generation performance in 8M FY2025 was lower than 8M FY2024, primarily due to heavy monsoon and lower solar irradiation in the region, impacting the overall performance during this period. The ratings also favourably factor in the revenue visibility for ASEPL because of the long-term (25-year) power purchase agreements (PPA) with the state distribution utilities (discoms) of Karnataka at a fixed tariff rate of Rs. 2.91[1] per unit. Further, the tariff offered by ASEPL is highly competitive compared to the average power procurement cost (APPC) of the offtaking discoms. The debt coverage metrics are expected to remain comfortable over the debt repayment tenure with a cumulative DSCR above ~1.3x on the project debt, supported by the long tenure of the project debt and competitive interest rates.

The ratings are, however, constrained by the vulnerability of ASEPL's cash flows and debt protection metrics to its generation performance. Any adverse variation in weather conditions and module performance may impact the PLF levels and consequently affect the cash flows. This is amplified by the geographic concentration of the asset, with the entire capacity located at a single site in Karnataka.

The ratings also factor in the counterparty credit risk on account of the exposure to the Karnataka state discoms, with 200 MW tied up with Bangalore Electricity Supply Company Limited (BESCOM), 50 MW with Gulbarga Electricity Supply Company Limited (GESCOM; [ICRA]BBB- (Stable)/[ICRA]A3) and 50 MW with Hubli Electricity Supply Company Limited (HESCOM). The credit profiles of the Karnataka discoms are constrained by their high receivable position and the payment cycle of these

[1] Incremental tariff of Rs. 0.40/unit and Rs. 0.39/unit being received from GESCOM and HESCOM respectively towards safeguard duty reimbursement under change in law clause of PPA approved by Karnataka Electricity Regulatory Commission (KERC)

discoms remains a key monitorable. Nonetheless, post the implementation of the late payment surcharge (LPS) rules by the Ministry of Power, Government of India, the receivables have reduced to 2-3 months from 4-8 months from the three offtakers, though some delays were noticed in HESCOM and GESCOM in the current fiscal.

ICRA also takes note of the exposure of the debt coverage metrics to interest rate movements, given the leveraged capital structure of the asset and the fixed tariff in the PPAs. Further, ASEPL's operations remain exposed to the regulatory risks of scheduling and forecasting requirements applicable for solar energy projects.

The Stable outlook on the [ICRA]A+ rating reflects ICRA's opinion that the company would benefit from the long-term PPAs, a satisfactory generation performance and the operational flexibility from being a part of the Ayana Group.

Key rating drivers and their description

Credit strengths

Strong managerial and financial support from Ayana Group - The company is a subsidiary of ARPPL. The Ayana Group is backed by NIIF (51%), BII (32%) and GGEF (17%). NIIF is anchored by the Government of India (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 target private fund, which has NIIF and the UK Government as the anchor investors. All the three shareholders have committed a capital of $721 million. ICRA notes that NIIF holds 51% in ARPPL, with significant equity commitment from its master fund. As of October 2024, the shareholders have infused ~Rs. 3,750 crore in the platform. ASEPL enjoys strong managerial and financial support, being part of the Ayana platform.

Revenue visibility from long-term PPAs with Karnataka discoms; superior tariff competitiveness - ASEPL operates a 300-MW power plant at Pavagada Solar Park, Karnataka, wherein the counterparties are BESCOM (200 MW), GESCOM (50 MW) and HESCOM (50 MW). The PPAs are valid for a period of 25 years from the commissioning of operations with an applicable tariff rate of Rs. 2.91[2] per unit. The tariff offered by the project remains highly competitive against the APPC of the offtaking discoms. The company has also been awarded an SGD refund of Rs. 142 crore which is being reimbursed in lumpsum by BESCOM and in the form of incremental tariff by GESCOM and HESCOM. ICRA notes that these amounts are passed on to the earlier sponsor, Renew Group, and would not impact the credit profile of ASEPL.

Satisfactory operational performance with track record of more than five years - The 300-MW capacity was commissioned in March 2019 and has a generation track record of more than five years. The generation performance of the project remains satisfactory since commissioning. The PLF performance in FY2024 stood at 26.37% against 26.09% in FY2023. However, the generation performance in 8M FY2025 was lower than 8M FY2024, primarily due to heavy monsoon and lower solar irradiation in the region, impacting the overall performance during this period.

Comfortable debt coverage metrics - The company's coverage metrics are expected to remain comfortable over the debt repayment tenure with a cumulative DSCR on the project debt above ~1.3x, supported by the long-term PPAs, long tenure of the project debt and competitive interest rates. A significant portion of the promoter contribution for the project is in the form of debt, which remains subordinated to the project debt and subject to restricted payment conditions stipulated by the lenders.

[2] Incremental tariff of Rs. 0.40/unit and Rs. 0.39/unit being received from GESCOM and HESCOM respectively towards safeguard duty reimbursement under change in law clause of PPA approved by Karnataka Electricity Regulatory Commission (KERC)

Credit challenges

Counterparty credit risk owing to exposure to state utilities of Karnataka - As the state discoms in Karnataka offtake the entire quantum of power generated, the company remains exposed to the credit risk profile of these discoms. The credit profiles of the Karnataka discoms are constrained by their high receivable position and the payment cycle of these discoms remains a key monitorable. Nonetheless, post the implementation of the LPS rules, the receivables from the three offtakers have reduced to 2-3 months from 4-8 months, though some delays were noticed in HESCOM and GESCOM in the current fiscal.

Vulnerability of cash flows to variation in weather conditions - As the tariffs are one part in nature, the company may book lesser revenues in case of non-generation of power due to the variation in weather conditions and/or equipment quality. This in turn would affect the company's cash flows and debt servicing ability. The geographic concentration of the asset amplifies the generation risk. Nonetheless, comfort is derived from the sourcing of PV modules from tier-I suppliers and regular O&M carried out by the company.

Exposure to interest rate risk - The company's debt coverage metrics remain exposed to the variation in interest rates because of a leveraged capital structure, the single-part fixed tariff in the PPAs and floating interest rates. Further, ICRA takes note that the lenders have a put option on the outstanding loan along with the interest under this facility at the end of the 10th year from the date of first disbursement.

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

Liquidity position: Adequate

The liquidity position of ASEPL is adequate with the cash flow from operations and the available liquidity expected to be sufficient to meet the debt servicing obligations in FY2025 and FY2026. As on December 31, 2024, the company has unencumbered cash balances of ~Rs. 18 crore and maintains a one-quarter DSRA of Rs. 32.99 crore in the form of a BG. While ICRA takes note that the surplus cash can be upstreamed to ARPPL, subject to the lenders' approval, the company is expected to always maintain adequate liquidity to meet its operational expenses and debt servicing obligations. Additionally, the company has a Rs. 30-crore working capital limit which remains unutilised as of December 2024 and would support any liquidity gap arising from delayed payments from the offtakers.

Rating sensitivities

Positive factors – ICRA could upgrade ASEPL's ratings if its generation performance is in line or above the P-90 estimate along with the continuation of timely payments from the offtakers, leading to healthy credit metrics and a comfortable liquidity profile. Also, ASEPL's ratings would remain sensitive to the credit profile of its parent, ARPPL.

Negative factors – The ratings could be downgraded in case of a significant underperformance in generation, adversely impacting the cash flows. Specific credit metrics for downgrade include the cumulative DSCR on the project debt falling below 1.25 times on a sustained basis. Further, any significant delays in receiving payments from the offtakers adversely impacting its liquidity profile would be a negative trigger. Also, ASEPL's ratings would remain sensitive to the credit profile of its parent, ARPPL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	ICRA expects ASEPL's parent, ARPPL, to be willing to extend financial support to ASEPL, should there be a need, given the high strategic importance that ASEPL has for ARPPL
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

ASEPL, an SPV of the Ayana Group, is operating a 300-MW solar power plant at Pavagada Solar Park, Karnataka. The project was commissioned during February-March 2019. The company has signed 25-year PPAs for its entire capacity with the Karnataka discoms (BESCOM, GESCOM and HESCOM) at a fixed tariff for the entire tenor of the PPAs. This company was incorporated as a part of the Renew Group and the Ayana Group acquired this asset in February 2021.

Key financial indicators (audited)

ASEPL Standalone	FY2023	FY2024
Operating income (Rs. crore)	198.58	199.34
PAT (Rs. crore)	-20.52	-9.41
OPBDIT/OI (%)	84.98%	81.79%
PAT/OI (%)	-10.33%	-4.72%
Total outside liabilities/Tangible net worth (times)	-36.96	-29.89
Total debt/OPBDIT (times)	8.95	8.61
Interest coverage (times)	1.25	1.26

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

NOTE: Debt includes promoter contribution in the form of subordinated debt

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)	Jan 17, 2025	FY2024		FY2023		FY2022	
					Date	Rating	Date	Rating	Date	Rating
1	Term loan	Long-Term	906.77	[ICRA]A+ (Stable)	07-Dec-23	[ICRA]A+ (Stable)	22-Sep-22	[ICRA]A+ (Stable)	15-Jun-21	[ICRA]A+ (Stable)
					22-Aug-23	[ICRA]A+ (Stable)	-	-	-	-
2	Working capital limits	Long-Term	30.00	[ICRA]A+ (Stable)	07-Dec-23	[ICRA]A+ (Stable)	22-Sep-22	[ICRA]A+ (Stable)	15-Jun-21	[ICRA]A+ (Stable)
					22-Aug-23	[ICRA]A+ (Stable)	-	-	-	-
3	Non-fund based limits	Short-Term	20.00	[ICRA]A1	07-Dec-23	[ICRA]A1	22-Sep-22	[ICRA]A1	15-Jun-21	[ICRA]A1
					22-Aug-23	[ICRA]A1	-	-	-	-
4	Unallocated	Long-Term	187.23	[ICRA]A+ (Stable)	07-Dec-23	[ICRA]A+ (Stable)	22-Sep-22	[ICRA]A+ (Stable)	-	-
					22-Aug-23	[ICRA]A+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Term loan	Simple
Cash credit	Simple
Non-fund based limits	Very Simple
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/ sanction	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Term loan - I**	Oct 2023	-	FY2040	693.62	[ICRA]A+ (Stable)
NA	**Term loan – II**	Mar 2023	-	FY2040	213.15	[ICRA]A+ (Stable)
NA	**Working capital**	-	-	-	30.00	[ICRA]A+ (Stable)
NA	**Non-fund based limits**	-	-	-	20.00	[ICRA]A1
NA	**Unallocated**	-	-	-	187.23	[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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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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