

March 18, 2025

Azure Power (Rajasthan) Private Limited: [ICRA]A (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	30.98	[ICRA]A (Stable); Assigned
Total	30.98	

*Instrument details are provided in Annexure I

Rationale

The assigned ratings factor in the high revenue visibility, long operational track record and low offtake risk for the 5-MWAC solar power project of Azure Power (Rajasthan) Private Limited (APRPL) because of the long-term (25 years) power purchase agreement (PPA) with NTPC Vidyut Vyapar Nigam Limited (NVVN) for the entire capacity at a fixed tariff of Rs. 11.94 per unit. The ratings draw comfort from the presence of a strong counterparty like NVVN, which is expected to lead to timely realisation of payments for the company.

The rating further favourably factors in the long operational track record of the company for more than 13 years, stable generational performance of the asset and presence of an experienced sponsor group. Going forward, the company's debt metrics are expected to remain comfortable with annual DSCR above 1.25x, supported by the PPA at fixed tariff rates and the long tenure of the project debt. Also, comfort is drawn from the presence of a debt service reserve account (DSRA) equivalent to one quarter of debt servicing.

However, the rating is constrained by the vulnerability of the cash flows and the debt coverage metrics of the solar power project to the generation performance, given the single-part tariff under the PPA and as the project is located at a single location. Any adverse variation in weather conditions or equipment performance or inability to ensure adequate O&M practices for the solar assets would impact generation and consequently the cash flows. The generation performance of the solar power capacity under APRPL remained satisfactory with average PLF of 19-20% over the period from FY2020-FY2024. While the PLF declined in 9M FY2025 to 17.4% owing to higher-than-average rainfall in the current fiscal, the full year PLF is expected to be better as solar generation is relatively better in the last quarter. The rating also factors in the sensitivity of the debt coverage metrics of the company to adverse movement in interest rates, considering the leveraged capital structure and the fixed tariffs under the PPA.

ICRA notes that the audited financial statements of FY2024 were qualified with auditor highlighting concerns on internal control and weakness in financial reporting at a group level. ICRA also notes the ongoing regulatory issues pending with U.S. Department of Justice (DOJ) at a group level and will continue to monitor the developments regarding the same.

Further, the company's debt terms have a cross-default clause, whereby any default by the parent, Azure Power India Private Limited (APIPL) will constitute as an event of default for APRPL and could lead to acceleration of its debt at the lender's discretion. However, given its favourable operational and financial profiles (comfortable debt coverage metrics and strong counterparty – NVVN), if such a clause is exercised by the lender, the company is expected to refinance its debt within the available curing period, thereby mitigating the risk to a major extent.

The Stable outlook assigned to the long-term rating of APRPL factors in the steady cash flow visibility, aided by the long-term PPA, satisfactory generation performance and timely cash collections expected from the customer.

Key rating drivers and their description

Credit strengths

Low offtake risk with presence of long-term PPA with a strong counterparty – The solar power capacity under APRPL has tied-up a long-term PPA with NVNN, which is a subsidiary of NTPC Limited (rated [ICRA]AAA(Stable)/A1+) for the entire capacity at a fixed tariff, providing high revenue visibility and low offtake risk for the 5-MWAC solar power project. The comfortable credit profile of the customer is also expected to result in timely payments as demonstrated so far.

Comfortable debt coverage metrics and liquidity profile – APRPL's debt coverage metrics for are expected to remain comfortable with annual DSCR estimated to remain above 1.25x over the debt tenure, supported by the PPA at a fixed rate and stable generation performance demonstrated so far by the asset. Also, the liquidity profile of the company is supported by a DSRA equivalent to one quarter of debt service obligation and timely payments by the customer.

Experienced sponsor with a demonstrated track record in developing and operating renewable assets – APRPL is a part of APIPL, which has a diversified portfolio of operational solar capacity at ~3 GW. The group commenced operations in 2008 and has an established track record of developing solar power projects in India across various locations and counterparties.

Credit challenges

Vulnerability of cash flows to solar radiation and high geographic concentration – Given the single part tariff under the PPA, the revenues and cash flows of the solar power project under APRPL remain vulnerable to the actual generation, which in turn is exposed to the variability in solar radiation. This risk is amplified by the geographic concentration of the asset.

Exposed to interest rate risks – The interest rates on the term loan availed by the company for its project is subject to regular reset. Given the fixed tariffs under the PPA and the leveraged capital structure, the debt coverage metrics for the company remained exposed to adverse movement in interest rates.

Regulatory risks – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects.

Liquidity position: Adequate

The liquidity position of APRPL is expected to be adequate, with sufficient buffer between cash flows from operations and debt repayment obligation. Moreover, one quarter of DSRA and timely payments from the customer is expected to support the liquidity profile. The company had cash and liquid investments of Rs. 3.5 crore as on December 31, 2024, including DSRA of Rs. 2.44 crore.

Rating sensitivities

Positive factors – Resolution of regulatory issues at the parent level along with continuation of healthy generation performance, and timely payment from offtaker leading to comfortable debt coverage metrics and liquidity could lead to a rating upgrade for APRPL.

Negative factors – The ratings can be downgraded in case of weakening of generation performance of the company, adversely impacting the debt coverage metrics. A specific credit metric for downgrade is the cumulative DSCR falling below 1.25 times on a sustained basis. Further, any large delays in realising payments from the offtaker, adversely impacting the liquidity profile of the company, will be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Azure Power (Rajasthan) Private Limited, a wholly-owned subsidiary of Azure Power India Private Limited was incorporated in June 2010. APRPL has set up a 5 MW (AC) solar power plant located at Kathauti in Jayal, District Nagaur, Rajasthan. The project was fully commissioned in December 2011. The company has signed a 25-year long-term PPA with NVVN for the entire capacity at a fixed tariff of Rs.11.94/kWh.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	9.7	9.7
PAT	2.6	3.0
OPBDIT/OI	94.6%	90.1%
PAT/OI	27.1%	30.5%
Total outside liabilities/Tangible net worth (times)	-19.4	46.3
Total debt/OPBDIT (times)	4.9	4.6
Interest coverage (times)	2.0	2.1

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

Instrument	Type	Current (FY2025)				Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	March 18, 2025	Date	Rating	FY2024		FY2023		FY2022	
						Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	30.98	[ICRA]A (Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	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	NA	NA	FY2032	30.98	[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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