March 31, 2025

ABREL (RJ) Projects Limited: [ICRA]AA- (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. Crore)	Rating action
Long-term fund based – Term loan	3677.61	[ICRA]AA- (Stable); assigned
Long term non-fund based limits	150.00	[ICRA]AA- (Stable); assigned
Total	3,827.61	

Instrument details are provided in Annexure I

Rationale

The assigned rating for ABREL (RJ) Projects Limited {ABREL(RJ)} factors in the company's strong parentage as a part of the Aditya Birla Group (ABG). ABREL(RJ) 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. ABREL(RJ) 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 under-construction hybrid project by virtue of a long-term (25 years) power purchase agreement (PPA) signed with a strong counterparty - UltraTech Cement Limited (UTCL) - for a contracted capacity of 200 MW at a fixed tariff of Rs. 3.38 per unit, under the group captive mode with 26% shareholding held by UTCL. As per the PPA, ABREL(RJ) has an obligation to supply energy of 1,320 million units [capacity utilisation factor (CUF) of 75.34% on contracted capacity of 200 MW] in the first year with an annual degradation of 0.2% in the contracted energy in the subsequent years. To meet this requirement, ABREL(RJ) is setting up inter-state transmission system (ISTS)-connected hybrid projects, which consist of (i) UTCL-1: Solar power project of 169 MWp (DC) and wind power project 182.7 MW in Bhuj, Gujarat and (ii) UTCL-2: Solar power project of 169 MWp (DC) and wind power project 182.7 MW in Fatehgarh, Rajasthan, aggregating to 703.4 MW. The tariff rate offered by ABREL(RJ) remains competitive against the grid tariffs and would enable UTCL to meet its renewable purchase obligation (RPO) and sustainability targets.

Post commissioning, ABREL(RJ)'s debt coverage metrics are expected to be adequate with the 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 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 is, however, constrained by the execution risks for the under-construction ISTS hybrid projects (UTCL-1 and UTCL-2). For the Bhuj section (UTCL-1), there has been reasonable progress in land acquisition and installation of the wind turbine generators. Also, the company has started work on the pooling substation and construction of the transmission line for connectivity to the grid through Bhuj-II substation. However, the erection and installation of module mounting structures and solar modules is yet to commence. While the scheduled commercial operation date (SCOD) for UTCL 1 is June 2025 as per the PPA, there have been delays in the execution due to delay in land acquisition and certain regulatory approvals. The project is now expected to be commissioned in March 2026. The company is engaged with UTCL to extend the SCOD. The SCOD, as per the loan documents, is March 2026, providing a 12-month window for the company to complete the construction.

For the Fatehgarh section (UTCL-2), there has been limited progress in land acquisition and project construction. Further, the project is awaiting necessary approvals for the construction of the transmission line from the pooling substation to the grid substation. This plant will be connected to the Fatehgarh-III substation via a 400-KV line. Nonetheless, the company is making progress in acquiring the right of way (ROW) and construction of the foundations for the transmission line and expects to receive the approval shortly. This approval remains the key monitorable for the company. The SCOD for the Fatehgarh project is March 2026, as per the PPA and the loan agreement. A timely completion of both the Bhuj and Fatehgarh projects by March 2026 remains a key monitorable for the company.

Further, the waiver on ISTS charges for wind and solar power projects is available for projects commissioned till June 30, 2025. Hence, on account of the delay in UTCL-1's commissioning beyond this date, the company will have to bear the ISTS charges (25% of the applicable charges) if the Government doesn't extend the waiver. Nonetheless, the company is hopeful that extension of waiver will be considered positively by the government authorities as represented by the industry players.

Post commissioning, 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 PPA. Hence, the ability of the project to achieve the appraised P90 estimates, post commissioning, on a sustained basis remains crucial from a credit perspective. ICRA notes that UTCL has the right of first refusal to offtake the excess electricity generated over and above the contracted energy. However, the company will be exposed to volume and tariff risks in the merchant market, if UTCL does not the offtake the excess energy generated.

Further, the project's credit metrics would remain exposed to the movement in interest rates, given the fixed tariff under the the PPA, floating interest rate and a leveraged capital structure with the project cost being funded through debt to equity of 80:20. Further, the company's operations remain exposed to the regulatory risk associated with forecasting & scheduling regulations and adverse changes in regulations for captive projects.

The Stable outlook assigned to the long-term rating of the company is supported by the long-term PPA providing revenue visibility post commissioning and a strong counterparty, i.e., UTCL, along with the benefits of being a part of the ABG Group.

Credit strengths

Strong financial, operational and managerial support as part of Aditya Birla Group – ABREL(RJ) 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 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. ABREL(RJ) benefits on the financial, operational and managerial front because of its strong parentage.

Revenue visibility from long-term PPA at a competitive tariff rate – ABREL(RJ) has signed a long-term (25 years) PPA with UTCL for a contracted capacity of 200 MW at a fixed tariff of Rs. 3.38 per unit, providing high revenue visibility and low offtake risks for the ISTS projects. The tariff offered by the projects remain competitive against the grid tariffs 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 is expected to result in timely payments for the company, post commissioning, as demonstrated so far in the other group captive projects of ABReL contracted with UTCL. Moreover, comfort can be drawn from the presence of a termination payment clause in the PPA, ensuring fair compensation to ABREL(RJ). Also, the PPA has a deemed generation clause, ensuring payments to ABREL(RJ) in case of a disruption in generation due to reasons attributable to UTCL.

Adequate debt coverage metrics and liquidity profile post commissioning – Post commissioning, ABREL(RJ)'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 ABREL(RJ) in case of any cash flow mismatch.

Credit challenges

Project execution risks – The company remains exposed to execution risks related to the under-construction ISTS projects under ABREL(RJ). For the Bhuj section (UTCL-1), there has been reasonable progress in land acquisition, installation of wind turbine generators and construction of the transmission infrastructure. However, the erection of the solar modules is pending. The project has faced delays in execution against the SCOD of June 2025 due to delays in land acquisition and approvals and is now expected to be commissioned in March 2026 (SCOD as per the loan agreement).
For the Fatehgarh section (UTCL-2), there has been limited progress in land acquisition and project construction. Further, the project is awaiting necessary approvals for the construction of the transmission line from the pooling substation of the project to the grid substation. The SCoD for the Fatehgarh project is March 2026, as per the PPA and the loan agreement. The timely completion of both the Bhuj and Fatehgarh projects by March 2026 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 project to achieve the appraised P-90 estimate, post commissioning, on a sustained basis remains crucial from a credit perspective. ICRA notes that UTCL has the right of first refusal to offtake the excess electricity generated over and above the contracted energy. However, the company will be exposed to volume and tariff risks in the merchant market, if UTCL does not the offtake the excess energy generated.

Exposed to interest rate risks – The interest rate on the term loan availed by the company for its project is floating and subject to regular resets. The fixed tariff under the PPA and a leveraged capital structure expose ABREL(RJ)'s debt coverage metrics to the adverse 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.

Liquidity position: Adequate

The liquidity position of the company is supported by the debt tie-up and part infusion of promoter contribution for its ISTS projects. ICRA expects ABReL to bring in the pending promoter contribution for both the projects as per the construction progress. Further, ABReL is expected to support the projects in case of any cost overrun. Post commissioning, the company's liquidity is expected to be supported by the presence of a one-quarter DSRA. Moreover, the company is expected to generate adequate cash flow from operations against a debt repayment obligation, driven by the long-term PPA with a strong counterparty.

Rating sensitivities

Positive factors – ICRA could upgrade ABREL(RJ)'s rating if the credit profile of its parent, i.e., ABReL, improves. ICRA could also upgrade the rating if the under-construction ISTS projects achieves significant progress with the necessary regulatory approvals in place.

Negative factors – The rating could be downgraded in case of any major cost or time overrun in 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, post commissioning, 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 weakening 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 ABREL(RJ)'s parent, ABReL, to be willing to extend financial support to ABREL(RJ), should there be a need, given the strategic importance that ABREL(RJ) 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

ABREL(RJ) is an SPV promoted by ABReL (74% stake) and UTCL (26% stake). It is setting up two ISTS-connected hybrid projects under the group captive mode across Gujarat and Rajasthan, comprising (i) UTCL 1: Solar power project of 169 MWp(DC) and wind power project 182.7 MW in Bhuj, Gujarat and (ii) UTCL 2: Solar power project of 169 MWp(DC) and wind power project 182.7 MW in Fatehgarh, Rajasthan. The company has a long-term PPA for 25 years with UTCL at a fixed tariff of Rs. 3.38/unit for the contracted capacity of 200 MW.

Key financial indicators (audited): Not meaningful as the project is under construction

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)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based - Term loan	Long term	3677.61	Mar 31, 2025	[ICRA]AA- (stable)	-	-	-	-	-	-
Non-fund based limits	Long term	150.00	Mar 31, 2025	[ICRA]AA- (stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based - Term loan	Simple
Long term – Non-fund based limits	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-I**	FY2025	NA	FY2045	1842.61	[ICRA]AA- (stable)
NA	**Term loan-II**	FY2025	NA	FY2045	1835.00	[ICRA]AA- (stable)
NA	**Long term – Non-fund based limits**	NA	NA	NA	150.00	[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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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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