June 05, 2025

Alfanar Energy Private Limited: Rating downgraded and outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund Based - Term loan	1,570.00	1,300.00	[ICRA]BB+ (Stable); downgraded from [ICRA]BBB (Negative) and outlook revised to Stable
Total	**1,570.00**	**1,300.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating action for the long-term rating of Alfanar Energy Private Limited (AEPL) factors in the continued under-performance of its 301.4-MW wind power project in Gujarat, with the actual generation remaining well below the appraised P-90 estimate in FY2025, as well. The generation has remained low since commissioning in March 2021, with an average PLF of ~28.5% in the last three fiscals, and ICRA expects the generation to continue to be below the P-90 estimates in the near to medium term.

The underperformance has adversely impacted the company's debt coverage indicators, with the debt service coverage ratio (DSCR) on the external debt being well below 1.0x in FY2025. Further, the DSCR is expected to remain below 1x in FY2026, necessitating promoter support to meet the debt servicing requirements. The promoters had infused unsecured loans of Rs. 65 crore in March 2025, which have been used to prepay the entire FY2026 principal in April 2025, easing out the liquidity challenges in the near term for the company. Nonetheless, the structural issue of low generation is likely to continue to impact the debt service coverage ratio in the medium term. Hence, the company's efforts to improve the generation performance or resize the debt to improve the cumulative DSCR of the project would remain a key rating sensitivity.

The rating also remains constrained by the vulnerability of the cash flows to the variation in weather conditions and wind seasonality, given the single-part tariff under the PPA. Additionally, the company remains exposed to asset concentration risk as the entire capacity is at a single site in Gujarat. Further, the project's credit metrics remain exposed to the movement in interest rates, given the single-part PPA tariff and a leveraged capital structure. Also, the company is vulnerable to the regulatory challenges of implementing the scheduling and forecasting framework for the wind power sector because of the variable nature of wind generation.

However, ICRA continues to draw comfort from the high revenue visibility and low offtake risk for the 301.4-MW wind power project of AEPL, with the presence of a long-term (25-year) power purchase agreement (PPA) with Solar Energy Corporation of India Limited (SECI) at a fixed tariff of Rs. 2.45 per unit. SECI is an intermediary counterparty and has signed a power supply agreement (PSA) with the state-owned distribution utilities (discoms) of Bihar and Delhi and with Tata Power Delhi Distribution Company, which are the ultimate offtakers.

The rating further positively considers the high tariff competitiveness, with the PPA tariff being well below the average power purchase cost of the offtaking discoms. Moreover, the payment security mechanism in the PPA/PSA is relatively superior (against the state policy PPAs), given the provision for letter of credit equal to an average one-month billing under the PPA and the benefits available to SECI under the tripartite agreement (TPA) with the Government of India, the Reserve Bank of India and the state government. The payments from SECI have remained timely so far. The additional provisions in the PPA/PSAs related to compensation in case of grid curtailment or backdown and the termination liability in the event of default by the buyer provide comfort.

Further, the rating draws comfort from the long maturity profile of the project debt and a competitive interest rate. The promoter contribution has been infused through a mix of equity and compulsorily convertible debentures (CCDs). The promoter CCDs remain subordinated to the debt availed from the project lenders.

The Stable outlook assigned to the company factors in the revenue and cash flow visibility offered by the long-term PPA with a strong counterparty, SECI, and the presence of an experienced O&M contractor.

Key rating drivers and their description

Credit strengths

Established track record of Alfanar Group in power sector – Though the Alfanar Group has limited experience in the renewable energy sector in India, this risk is mitigated to a certain extent by the Group's established track record in the power sector through its EPC business in Saudi Arabia and its renewable projects in other countries. Alfanar is among the largest private industrial groups in Saudia Arabia, having a diversified presence in EPC, project development, engineering services and manufacturing segments. In the transmission sector, it has set up various sub-stations, transmission lines and underground cable projects in Saudi Arabia. The Group has supported AEPL and other Indian SPVs in the form of bank guarantees for debt-servicing reserve account (DSRA) as well as through unsecured loans.

Long-term PPA and superior tariff competitiveness - AEPL has low offtake risks owing to the long-term (25-year) PPA at a highly competitive tariff of Rs. 2.45 per unit for the entire project capacity. The long-term PPA provides revenue visibility to the company. SECI is an intermediary counterparty and has signed PSAs with the state-owned distribution utilities of Bihar, Delhi and Tata Power Delhi Distribution Company, which are the ultimate offtakers. Further, the applicable tariff for the ultimate offtakers is highly competitive compared to the average power purchase cost of the utilities.

Relatively superior PPA with SECI and low counterparty credit risk – The PPA with SECI is superior to the state policy PPAs due to a favourable payment security mechanism that has a provision for letter of credit equal to average one-month billing as well as a provision for generation compensation for grid unavailability or backdown and termination liability in the event of default by the discoms. Further, SECI has been included in the tripartite agreement (TPA) with the Government of India, the Reserve Bank of India and the state government that provides comfort against payment delays from the discoms. These factors, coupled with the strong credit of SECI and the high tariff competitiveness, mitigate the counterparty credit risk associated with the ultimate offtakers.

Credit challenges

Lower-than-expected cash flows due to underperformance by wind power project - The company's revenue and profitability are exposed to the variation in weather conditions as the tariff under the PPA is one part in nature. As witnessed in the recent fiscals, the generation performance has remained subdued with an actual average PLF of ~28.5% in the last three fiscals, against a P-90 estimate of 36.6%, owing to the lower-than-expected wind speed. This has adversely impacted the company's debt coverage metrics with the DSCR remaining low at 1.0x in FY2024 and FY2025. This risk is also amplified by the single location of the project. In March 2025, the promoters had infused unsecured loans of Rs. 65 crore, which have been used to prepay the entire FY2026 principal in April 2025, easing the near-term liquidity challenges for the company. Nonetheless, the structural issue of low generation is likely to continue to impact the debt service coverage ratio in the medium term. The company's efforts to improve the generation performance or resize the debt to improve the cumulative DSCR of the project would remain the key rating sensitivity.

Interest rate risk - The company's debt metrics remain exposed to the movement in interest rates due to the single-part tariff under the PPA and a leveraged capital structure.

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 for renewable energy projects, given the limited experience of the developers in operating under Indian conditions and the variable nature of wind generation.

Liquidity position: Adequate

The liquidity of the company is expected to remain adequate with the cash flow from operations along with the available cash balances likely to be adequate in relation to the interest servicing obligations, supported by the long-term PPA and timely payments from the SECI. ICRA notes that the company has prepaid the entire FY2026 principal in April 2025, easing out the liquidity challenges in the near term. Further, comfort is drawn from the DSRA available for six months in the form of bank guarantee and additional bank guarantees given by the parent which can cover up to additional three months of debt servicing requirements.

Rating sensitivities

Positive factors - ICRA could upgrade the rating in case of a substantial improvement in the generation performance of the wind power project, leading to an improvement in the coverage metrics on a sustained basis.

Negative factors- The rating would be downgraded if the actual generation performance continues to be lower than the historical average, impacting the coverage metrics and liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Power - Wind
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

AEPL is promoted by Alfanar Company (KSA) and Alfanar Power Limited (UK), which are subsidiaries of Alfanar Principals. Alfanar is a family-owned Saudi Arabia-based group, with the main promoters being Mr. Abdul Salam Al Multaq, Mr. Sabah Mohammad Al Multaq and Mr. Hisham Mohammad Al Multaq. AEPL has set up a 301.4-MW wind power project in Bhuj, Gujarat. The plant was commissioned in phases - from July 2020 to March 2021 - and the final CoD was achieved on April 01, 2021, ahead of the scheduled CoD of May 29, 2021. The total project cost is ~Rs. 2,117.08 crore, funded by debt to equity of 73:27. The capacity was awarded via a reverse bidding process conducted by SECI under its tranche-III wind power auction for 2 GW of inter-state transmission system (ISTS)-connected projects.

Key financial indicators

Alfanar Energy Private Limited – Standalone	FY2024	9M FY2025*
Operating income	190	137
PAT	-8	-51
OPBDIT/OI (%)	90.2%	84.3%
PAT/OI (%)	-4.0%	-37.0%
Total outside liabilities/Tangible net worth (times)	-14.77	-10.46
Total debt/OPBDIT (times)	10.5	11.4
Interest coverage (times)	1.4	1.2

*Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore. *Provisional*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				June 05, 2025	Jul 05, 2024	Jun 19, 2023	May 12, 2022
1	**Term loan**	Long term	1,300.00	**[ICRA]BB+ (Stable)**	[ICRA]BBB (Negative)	[ICRA]BBB+ (Negative)	[ICRA]A- (Stable)
2	**Non-fund based letter of credit***	Short term/ Long term	-	-	-	-	[ICRA]A- (Stable)/ [ICRA]A2+ (withdrawn)
3	**Long term - Unallocated**	Long term	-	-	-	-	-

**Sublimit of term loan*

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/Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Term loan**	February 2022	-	June 2042	1,300.0	[ICRA]BB+ (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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