August 06, 2026

KMF NANDINI AVAADA KN PRIVATE LIMITED: Rating upgraded to [ICRA]A+(Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term fund based – Term loan	314.61	308.95	[ICRA]A+ (Stable) upgraded from [ICRA]A (Stable)	RBI
Total	**314.61**	**308.95**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments, which fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The rating upgrade for KMF Nandini Avaada KN Private Limited (KNAKPL) factors in the stabilisation of the project's generation performance, along with a track record of timely payment from the offtaker and an improvement in the debt service coverage metrics. Following the commissioning in August 2024, the project faced initial stabilisation issues, which adversely impacted the overall generation in FY2025. However, the plant availability as well as generation performance improved in FY2026. The plant availability and grid availability were above 99% in FY2026 with the generation inching closer to the P-90 estimates. The company reported a DC plant load factor (PLF) of 17.5% in FY2026 and 15.0% in FY2025 compared to the P-90 level of 17.8%. An improvement in the operational performance coupled with a reduction in interest rate due to refinancing is expected to improve the debt service coverage metrics. The cumulative DSCR for the project is expected to remain above 1.25x. Also, the receivables from the offtaker are being received in a timely manner for all the invoices raised for FY2026. A sustained generation performance in line or above the appraised P-90 PLF level coupled with timely payment from the offtaker continues to be a key credit monitorable.

The rating continues to derive support from its strong parent - Avaada Energy Private Limited (AEPL) - which has an established track record in the renewable energy sector with an operating portfolio of ~7.1 GWp and an under-development capacity of 19.4 GWp. AEPL is promoted by Avaada Ventures Private Limited (AVPL), which holds a 60.1% stake in the company, and Global Renewable Synergy Company (a part of the PTT Group, Thailand) holding the rest (39.9%). The long-term power purchase agreements (PPAs) at competitive tariffs, the satisfactory generation performance of the assets under AEPL and the availability of long-term project finance at competitive interest rates ensure adequate debt coverage metrics for AEPL's renewable energy portfolio. However, the credit profile of AEPL is constrained by the significant capital expenditure plans for its sizeable under-development projects comprising solar, wind, hybrid and FDRE projects. While the committed equity and available cash within the Avaada Group will enable AEPL to scale up its portfolio in the near-to-medium term, the Group is currently exploring options to raise further capital to finance its under-development portfolio.

KNAKPL's credit profile is expected to benefit from the financial, operational and managerial support from its parent company. The rating also factors in the demonstrated need-based support from the parent in addressing cash flow mismatches, evident from the financial support extended to the Group SPVs over the years. The parent's high propensity to support is underpinned by the Group's strategic focus on renewable energy, its planned capital expenditure for medium- to long-term expansion, and the economic incentive reflected in the SPV's comfortable cumulative DSCR over the loan tenure.

The rating also factors in the limited demand and tariff risks for KNAKPL due to the 25-year PPA with a reputed industrial customer for its solar power project of 97 MWp at a fixed tariff under the captive mode. The tariff rate offered by the company is at a significant discount to the state grid tariff rates, thus enabling savings for the customer. ICRA also notes the payments from the offtaker have been timely in FY2026. Moreover, an adequate credit profile of the customer provides comfort against the counterparty credit risk. However, the captive nature of the project exposes it to evolving state open access regulations.

Further, KNAKPL's project has a long debt tenure of ~19 years, a competitive interest rate and remunerative tariff which are expected to lead to comfortable debt coverage metrics over the debt tenure. The company had refinanced its entire loan in FY2026 for a similar tenure at a reduced rate of interest. The cumulative DSCR for the refinanced debt is estimated to remain around 1.25x over the loan tenure, indicating adequate coverage for the debt servicing obligations. Further, the liquidity is assessed as adequate on expectation of a satisfactory generation performance on a sustained basis coupled with the creation of debt service reserve (DSR) equivalent to one quarter of debt servicing obligations which should enable a stable cash flow generation for a timely servicing of debt.

The company's cash flows and debt protection metrics remain sensitive to its generation performance, given the single-part tariff under the PPAs. The rating is constrained by the geographical concentration of the project at a single location in Karnataka, exposing it to high asset concentration risk. Any adverse variation in weather conditions and equipment performance can impact the generation levels and consequently the cash flows. The company is also exposed to interest rate and refinancing risks because of the leveraged capital structure, floating interest rate which is subject to regular resets and the put option at various intervals commencing from the end of the 5th year of disbursement. ICRA notes that these risks are mitigated to a certain extent by the healthy buffer between the current and breakeven PLF levels, the adequate DSCRs even under a moderate increase in interest rates, the long residual tenure of the PPAs providing sustained revenue visibility, the long useful life of the project assets, and the relatively attractive tariff levels supporting cash flow generation.

Further, the company's operations remain exposed to regulatory risks associated with forecasting & scheduling regulations, norms for captive projects and open access charges. Any significant increase in the open access charges or imposition of new levies could impact the competitiveness of the tariff offered under the PPA. It is to be noted that the attractive PPA tariff vis-à-vis the grid tariff and the presence of a termination/buyout clause in the PPA act as the risk mitigants.

The Stable outlook on the rating reflects ICRA's opinion that KNAKPL would benefit from the long-term PPA for its entire capacity, the timely payments from offtaker, expectation of a satisfactory generation level with a reputed customer and the track record of the Group in operating solar power projects.

Key rating drivers and their description

Credit strengths

Experienced promoter group with a demonstrated track record – KNAKPL is a 74% subsidiary of the renewable energy holding company of the Avaada Group i.e., AEPL, which has an established track record in the solar power sector. AEPL is backed by AVPL, which holds about 60.1% stake and the remaining stake of about 39.9% is held by GRSC, which is part of PTT Thailand. AEPL has an overall portfolio of ~26.5 GWp comprising operating capacity of ~7.1 GWp and the balance is under development.

Revenue visibility from long-term PPA; competitive tariff rate – KNAKPL has signed a 25-year long-term PPA for the entire capacity at a fixed tariff with a reputed industrial customer under the captive mode, providing revenue visibility and limiting the demand as well as pricing risks. The customer has subscribed to the equity capital of KNAKPL, as required under the group captive regulations. The tariff offered by the company is at a significant discount to the state grid tariff rates. Moreover, the power supplied by KNAKPL would enable the customer to meet its renewable purchase obligations as well as their sustainability goals.

Comfortable debt coverage metrics and liquidity profile – KNAKPL's debt coverage metrics are expected to be comfortable with the cumulative DSCR above 1.25x over the debt tenure, supported by a PPA at an attractive rate, the long tenure of the project debt and a competitive interest rate. Also, the liquidity profile of the company is supported by the presence of a peak one-quarter DSRA which has already been created.

Credit challenges

Debt metrics of solar projects sensitive to PLF level - Given the one-part structure under the PPA, the debt coverage metrics of the company remain exposed to the generation level. Hence, any adverse variation in weather conditions and/or module performance may impact the PLF and consequently the cash flows. The geographic concentration of the asset amplifies the generation risk. The demonstration of a sustained satisfactory generation performance over the longer term remains a key credit monitorable.

Exposed to interest rate - The interest rates on the term loans availed by the company for its projects is floating and subject to regular resets. Given the fixed nature of the tariffs under the PPA and a leveraged capital structure, the debt coverage metrics of the company are exposed to the movements in interest rates.

Regulatory risks related to scheduling, forecasting and open access - The company's operations are exposed to regulatory risks pertaining to the scheduling and forecasting requirements of solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects. Also, the company remains exposed to regulations related to captive power projects and adverse variation in open access charges, which could impact the competitiveness of the tariff offered.

Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate with the cash flow from operations expected to be sufficient, supported by the presence of a long-term PPA at a fixed rate for the solar power project and expectation of timely receipt of payments from the customer, given its adequate credit profile. The company is expected to generate cash flow from operations of Rs. 21-22 crore in FY2027-2028 against a debt repayment of Rs. 8-10 crore. Further, the company has created a DSRA of Rs. 12.5 crore and has free cash balances of Rs. 22.4 crore as of June 2026.

Rating sensitivities

Positive factors - ICRA could upgrade KNAKPL's rating if its generation performance exceeds the P-90 estimate on a sustained basis, thereby strengthening its debt coverage metrics, along with continued timely payments from the offtaker. Also, the rating would remain sensitive to the credit profile of its parent, AEPL.

Negative factors - KNAKPL's rating can be downgraded if the actual generation performance is lower than the P-90 level on a sustained basis, resulting in a decline of the cumulative DSCR to less than 1.25x, or if there are delays in payments from the customer on a sustained basis, impacting its liquidity profile. Further, the rating would remain sensitive to the credit profile of its parent, AEPL.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar and Wind
Parent/Group support	Parent company: Avaada Energy Private Limited The rating assigned to KNAKPL factors in the implicit support available from AEPL, if required
Consolidation/Standalone	Standalone

About the company

KNAKPL is 74% subsidiary of Avaada Energy Private Limited (AEPL). The company operates a 97-MW (DC)/70 MW (AC) solar power capacity at Shahabad in the Kalaburgi district of Karnataka. The energy generated from the solar plant of 97 MW is evacuated at the 400/220kV Firozabad substation. KNAKPL has signed a 25-year PPA at a fixed tariff with a commercial and industrial (C&I) customer under the group captive mode. The PPA has a lock-in period of 25 years and the project achieved commissioning in August 2024.

Key financial indicators (audited)

KMF Nandini Avaada KN Private Limited (Standalone)	FY2025	FY2026*
Operating income	25.64	58.03
PAT	0.58	4.39
OPBDITA/OI	91.2%	88.5%
PAT/OI	2.3%	7.6%
Total outside liabilities/Tangible net worth (times)	2.46	2.34
Total debt/OPBDITA (times)	13.63	6.23
Interest coverage (times)	1.51	1.53

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; *Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2027)		Chronology of rating history for the past 3 years					
		FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug 06, 2026	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	308.95	[ICRA]A+ (Stable)	Sep 02, 2025	[ICRA]A (Stable)	Aug 14, 2024	[ICRA]A- (Stable)	-	-
Letter of comfort - Interchangeable	Long term	-	-	Sep 02, 2025	-	Aug 14, 2024	[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	Financial sector regulator#
NA	**Term loan**	FY2026	NA	FY2045	308.95	[ICRA]A+ (Stable)	RBI

Source: Company

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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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