

October 12, 2026

AVAADA ELECTRO LIMITED: Ratings upgraded to [ICRA]A (Positive)/[ICRA]A1

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	3,294.00	3,294.00	[ICRA]A (Positive); upgraded from [ICRA]A- (Positive)	RBI
Long-term – Fund-based – Cash credit	923.00	923.00	[ICRA]A (Positive); upgraded from [ICRA]A- (Positive)	RBI
Short-term – Non-fund based – Letter of credit	2,039.00	2,039.00	[ICRA]A1; upgraded from [ICRA]A2+	RBI
Short term – Non-fund based – Capex Bank Guarantee	86.00	86.00	[ICRA]A1; upgraded from [ICRA]A2+	RBI
Short term – Non-fund based – Forward cover	265.00	265.00	[ICRA]A1; upgraded from [ICRA]A2+	RBI
Total	6,607.00	6,607.00		

*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 upgrade factors in the successful commissioning of Avaada Electro Limited's (AEL) integrated solar module manufacturing facilities, including the commissioning of the 6-GW solar cell capacity at its Butibori facility, resulting in an operational 8.5 GW module capacity and 6 GW of cell capacity. The upgrade also considers the company's increasing scale of operations, stronger-than-expected operational and financial performance in FY2026, with module production, revenues and operating profitability exceeding ICRA's earlier expectations despite delays in commissioning of the cell facilities. AEL reported module production of 3.77 GW and operating income of around Rs. 5,300 crore in FY2026, while maintaining healthy operating profitability of 23.8%, supported by a rapid ramp-up of module operations, healthy utilisation levels and healthy realisations. The commissioning of the cell facilities strengthens the company's backward integration, reduces reliance on imported solar cells and is expected to support earnings, cash flows and credit metrics over the medium term.

The Positive outlook reflects ICRA's expectation that successful ramp up of AEL's recently commissioned 6-GW cell manufacturing capacity, is likely to translate into a sustained increase in scale, profitability and cash generation over the medium term. The outlook also factors in the company's strong order book position, improving level of backward integration and the expectation of a gradual improvement in leverage and debt coverage metrics as earnings scale up. Additionally, debt reduction at AEL through the proposed fresh issue under the initial public offering (IPO) and continued strengthening of the company's business profile could provide further support to its credit profile.

The company continues to benefit from strong demand visibility supported by an unexecuted order book/ supply commitment of around 20 GW, majorly linked to Avaada Energy Private Limited's (AEPL) renewable project pipeline, providing adequate visibility for utilisation of the expanded manufacturing capacities. The module supply arrangement (MSA) with AEPL provides offtake visibility with committed sales realisations over the medium term. However, margins remain exposed to risk from raw material prices and exchange rate movements, given recent volatility.

The ratings further consider the favourable demand outlook for domestic solar module and cell manufacturers, supported by policy-led localisation, the Approved List of Models and Manufacturers framework, domestic content requirement opportunities and continued investments in renewable energy capacity. The company is positioned to benefit from these

factors through its operational module capacity and recently commissioned integrated cell manufacturing facility. While there is an overcapacity in the module space and realisations are likely to remain subdued for imported cell-based modules, commissioning of the cell capacity is expected to keep the realisations and margins healthy. AEL has also initiated efforts to diversify beyond captive demand, through supplies to external domestic customers and the receipt of orders for DCR-compliant solar cells. The company has already received orders of over 3 GW for Cell and Module supply to external domestic players/market and has also appointed dealers & distributors to increase its retail presence. Successful execution of these orders could support customer diversification and profitability, although the third-party customer base is still developing.

The ratings are, however, constrained by the ramp-up risks associated with the recently commissioned cell manufacturing capacity. The cell manufacturing facility remains in the ramp up and optimisation phase. The timely ramp-up of production, achievement of normative yields, maintenance of consistent product quality and generation of the expected operating cash flows will remain important rating monitorables. The company's solar cell manufacturing operations are at a relatively initial stage, and the sector's evolving technology landscape will be a key factor for long-term competitiveness.

The rating assessment also factors in the company's sizeable expansion plans. AEL proposes to undertake an integrated solar manufacturing project at Greater Noida, comprising approximately 5.1 GW of module capacity and 6 GW of cell capacity. The project is targeted for commissioning in a phased manner in FY28 and is expected to be largely debt funded. Given the early stage of implementation, final debt tie-up, fund infusion, receipt of approvals, land and construction progress, equipment ordering and adherence to the commissioning schedule remain key monitorable. Any delay, cost overrun or higher-than-envisaged debt dependence could keep leverage and debt coverage metrics elevated.

ICRA takes note of the increased leverage since the last rating exercise, driven by the debt-funded capex undertaken for the Butibori manufacturing facility. Nevertheless, the planned IPO at AEL is expected to support deleveraging to some extent and provide additional financial flexibility. Going forward, improvement in leverage and debt protection metrics will remain contingent upon timely fund raise from the planned IPO, the successful ramp-up and optimisation of the cell manufacturing facility, sustenance of operating margins at envisaged levels, timely conversion of the healthy order book into cash flows, and prudent management of working capital requirements. However, the proposed expansion at Greater Noida could moderate the pace of deleveraging as its implementation overlaps with the ramp-up phase of the Butibori cell facility.

The ratings remain constrained by high customer concentration, with a substantial share of AEL's order book currently linked to AEPL. This leads to a high degree of dependence on the execution and funding profile of the Group's renewable energy projects, thereby influencing the company's capacity utilisation levels, working-capital intensity, collections and overall cash flow generation. While the company has initiated measures to diversify its customer profile through third-party module supplies, increasing sales of DCR cells and modules, participation in government-led programmes such as Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM), PM Surya Ghar: Muft Bijli Yojana (PM Surya Ghar) and Mukhyamantri Saur Krushi Vahini Yojana 2.0 (MSKVY 2.0) in Maharashtra, and expansion of its retail distribution network, the benefits of these initiatives are at a relatively initial stage of realization. Accordingly, the timely execution of third-party orders, collection efficiency and a sustained increase in the share of non-Group revenues remain key monitorables from a credit perspective.

The ratings are also constrained by AEL's exposure to volatility in raw material prices and the realisation levels of modules and cells, which could exert pressure on profitability and cash accruals, particularly during periods of sharp fluctuations in input costs or competitive pricing conditions. While the company benefits from a healthy order book and increasing integration across the solar manufacturing value chain, its ability to maintain margins through timely pass-through of cost movements, favourable product mix and operational efficiencies would remain a key monitorable.

ICRA notes that the domestic module manufacturing sector is characterised by stiff competition and continues to attract new players, given the transition from fossil fuel to renewable sources with a higher share towards the solar sector. Moreover, there is continuous innovation on the product side in the global market, which necessitates regular upgrades and investments in product development by the company to mitigate the risk of technological obsolescence. ICRA also takes note of the risks pertaining to any devolvement of warranties given on the supply of solar modules. However, the company has created provisions towards warranty obligations, which provides some cushion against the associated financial exposure.

Avaada Ventures Private Limited (AVPL) currently has sizeable holdco borrowings following the refinancing of the earlier Brookfield investment, while the proposed IPO of AEL provides an identified avenue for deleveraging through the offer for sale proceeds accruing to AVPL. Further, the proposed IPO is expected to strengthen the Avaada Group's financial flexibility, with the fresh issue proceeds supporting debt reduction at AEL and the offer for sale (OFS) proceeds expected to facilitate deleveraging at AVPL. Successful completion of the IPO and material reduction in AVPL's leverage would improve the Group's ability to fund its sizeable growth plans while reducing refinancing and funding risks and therefore remains a key monitorable.

AEL has a ring-fenced cash flow structure and with consistent improvement in its standalone credit profile, ICRA understands that there is likely to be a limited dependence on the support from the parent, AVPL and hence ICRA has revised its analytical approach for AEL, wherein parent support from AVPL is no longer considered. ICRA also notes the presence of a cross-default clause between the loans taken by AEL and AVPL and understands from the interactions with various stakeholders that the cross-default provisions are not intended to trigger acceleration of AEL debt.

Key rating drivers and their description

Credit strengths

Part of experienced Group with established track record in renewable energy– AEL is a wholly-owned subsidiary of AVPL and is part of the Avaada Group, which has an established track record in the renewable energy sector and demonstrated fund-raising capabilities. The Group has an overall renewable energy projects pipeline of more than 20 GW, providing healthy demand visibility for AEL's modules and cells. AEL is strategically important to the Group's backward-integration strategy, which extends beyond cell manufacturing to solar glass through Avaada Glass Private Limited, with the proposed glass facility intended largely to cater to AEL's requirements and reduce dependence on imported inputs. The Group is also evaluating further integration into other solar components, which could strengthen supply-chain integration over the medium term. The Group's experience in project execution and fund raising provides comfort, considering AEL's future expansion plans.

Healthy revenue visibility from healthy order book position and Group's project pipeline- AEL has healthy medium-term revenue visibility, supported by its sizeable order book and long-term module supply arrangement with AEPL, which provides visibility over offtake and utilisation of its manufacturing capacities. Further, AEL is also diversifying its customer base through third-party supplies, DCR cell and module orders, participation in Government-supported schemes and expansion of its dealer network; however, the contribution from non-group customers is at a relatively early stage of development.

Favourable demand outlook for domestic module and cell manufacturers – The demand outlook for domestic solar module and cell manufacturers remains robust, supported by the Government of India's strategic push towards renewable energy and self-reliance in solar manufacturing. AEL stands to benefit significantly from policy measures such as the mandatory procurement from entities listed under the Approved List of Models and Manufacturers (ALMM) for solar PV modules and cells. These initiatives enhance the competitiveness of domestic players like AEL. The company's strategic positioning as the sole module manufacturer within the Avaada Group, coupled with its backward integration into cell manufacturing, aligns well with the evolving policy landscape.

Healthy capacity utilisation of operational module lines, backward integration into cell manufacturing and adequate realisations expected to lead to comfortable profitability going forward – AEL's module manufacturing operations witnessed a healthy ramp-up in FY2026, with production exceeding ICRA's earlier estimate of around 3.0 GW. During 5M FY2027, the company produced around 1.62 GW of modules, including 1.45 GW at Butibori and 0.17 GW at Dadri. Revenue increased to around Rs. 5,300 crore in FY2026 from the earlier estimate of around Rs. 4,500 crore, while the operating margin stood at 23.8% against the earlier expectation of 22.6%. The healthy performance was supported by higher volumes, stable module realisations and favourable procurement economics. The company posted revenue of around Rs. 1,305 crore and an operating margin of around 16.1% during Q1FY2027. Though the margins moderated in Q1FY2027, majorly due to raw material price and exchange rate fluctuations, the same is expected to improve for rest of FY2027 on account of revenue from sale of DCR modules and cells which have higher margins. AEL commissioned its 6 GW cell manufacturing capacity in a phased manner by

September 2026, providing backward-integration benefits. While margins may partly normalise over the medium term amid substantial industry-wide additions in cell and module capacity, they are expected to remain healthy, supported by robust utilisation and adequate realisations.

Credit challenges

Significant capacity expansion exposes AEL to execution and funding risks and is expected to keep leverage elevated— AEL is undertaking a sizeable integrated manufacturing expansion at Greater Noida, comprising around 5.1 GW of module capacity and 6 GW of cell capacity. The project is targeted for commissioning in a phased manner in FY28 and is expected to be largely debt funded. As the project is at an early stage, final debt tie-up, promoter contribution, approvals, construction progress, equipment ordering and adherence to the commissioning schedule remain key monitorables. The expansion is being undertaken while operations of the recently commissioned Butibori cell facility are still being ramped up, increasing execution and funding risks. AEL's capital structure has already become leveraged following the debt-funded Butibori capex. Consequently, improvement in leverage and coverage metrics will depend on timely fund raise at AEL level, cell ramp-up, adequate profitability, prudent capex phasing and efficient working-capital management.

Cell unit ramp up underway, need for periodic technological upgrades - AEL commissioned its 6-GW cell manufacturing facility at Butibori by September 2026, in a phased manner, and the same is currently undergoing ramp-up and optimisation. The timely ramp-up of production, achievement of desired yields, maintenance of product quality and control over manufacturing costs remain key monitorables. Considering that AEL's cell manufacturing operations are at a relatively early stage, a delay in achieving optimal operating levels could impact production costs and earnings, cash generation and debt coverage metrics. Further, the solar manufacturing industry is characterised by continuous technological advancement, which may require periodic upgrades for sustaining competitiveness. These risks are partly mitigated by AEL's integrated operations and sizeable order book.

Profitability remains vulnerable to volatility in key raw material prices along with competition and policy changes- AEL remains exposed to the volatility in price movements of key raw materials like solar cells/wafers, glass, and aluminium, among others. Also, the company remains exposed to adverse movements in foreign exchange as most of the raw materials are imported. Herein, the company proposes to mitigate this risk through appropriate currency hedging. Further, changes in ALMM, DCR, customs duties or localisation policies could additionally affect demand and realisations.

High customer concentration – AEL's order book continues to be largely driven by AEPL. While the sizeable, unexecuted order book provides strong demand visibility, AEL remains exposed to high customer concentration, with a sizeable share of its revenues and order book linked to AEPL, thereby linking its utilisation, collections and cash generation to the execution and funding profile of AEPL's renewable energy projects. The risk is partly mitigated by the module supply arrangement with AEPL and AEL's ongoing efforts to diversify through third-party sales, DCR orders, government-supported schemes and its dealer network. Nevertheless, the scale-up of non-AEPL revenues and the associated collection track record remain monitorables.

Liquidity position: Adequate

AEL's liquidity position remains adequate, supported by healthy cash balances, operating cash flows and available sanctioned banking facilities. AEL's cash flow from operations is expected to be sufficient to meet the debt servicing obligations in FY2027 and FY2028. The funding requirement for the Butibori project has been largely addressed, with the cell and module manufacturing facilities commissioned. However, liquidity will remain sensitive to working-capital requirements from the expanded operations and the sizeable capex planned for the Greater Noida facility.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of healthy ramp-up of the recently commissioned cell manufacturing capacity resulting in a sustained increase in scale and earnings, along with an improvement in AEL's leverage and debt coverage metrics while maintaining an adequate liquidity position.

Negative factors – The ratings may be downgraded if the company is unable to scale up its operations and/or if there are delays in ramping up the cell manufacturing facility, thereby adversely impacting the earnings, debt coverage metrics and liquidity. A larger than-expected debt-funded capex adversely impacting the leverage and coverage metrics could also result in a downgrade.

Analytical approach

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

About the company

Avaada Electro Limited (AEL) commenced operations at its first solar module manufacturing plant at Dadri, Uttar Pradesh, by the end of July 2024. The 1.5-GW facility, set up at a cost of Rs. 207.85 crore and funded through term debt and equity/unsecured loans infused by AVPL. AVPL also acted as the EPC contractor for this plant. The plant imports solar cells for module assembly and produces TOPCON modules. It has an approved capacity of 1,311 MW under the ALMM-I list.

AEL has also developed an integrated solar cell and module manufacturing unit in Butibori, Nagpur. AEL has commissioned 7 GW of installed module capacity and 6 GW of installed solar-cell manufacturing capacity at Butibori. AEL received ALMM-I approval of 6,909 MW for Module Manufacturing unit at the Butibori Plant. The total module line approved under ALMM-I list for AEL is 8,220 MW as of December 2025. Further, as of September 2026, AEL has already received approval for 3,621 MW of solar cell manufacturing capacity under ALMM-II list for its Nagpur facility.

Additionally, AEL plans to set up a 5.1 GW module and 6 GW cell manufacturing facility in Greater Noida, Uttar Pradesh. The project is in its early stages, with land allotment completed, and site development activities underway, and commissioning is targeted in a phased manner in FY28.

Key financial indicators (audited)

Avaada Electro Limited (Standalone)	FY2025	FY2026	Q1 FY2027#
Operating income	911.6	5308.5*	1305.4
PAT	173.3	888.7	120.8
OPBDIT/OI	26.9%	23.8%	16.1%
PAT/OI	19.0%	16.7%	9.3%
Total outside liabilities/Tangible net worth (times)	2.48	3.06	3.10
Total debt/OPBDIT (times)	2.50	2.41	4.84
Interest coverage (times)	19.78	14.68	4.73

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; *Operating income for FY2026 also includes insurance claims of Rs.4.94 crore

#Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instruments	Current (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 12, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long term	3,294.00	[ICRA]A (Positive)	Jan 02, 2026	[ICRA]A- (Positive)	Feb 06, 2025	[ICRA]A- (Stable)	-	-
				Oct 10, 2025	[ICRA]A- (Positive)				
Fund based – Cash credit	Long term	923.00	[ICRA]A (Positive)	Jan 02, 2026	[ICRA]A- (Positive)	Nov 05, 2024	[ICRA]A- (Stable)	-	-
				Oct 10, 2025	[ICRA]A- (Positive)	Feb 06, 2025	[ICRA]A- (Stable)		
Non-fund based - Letter of credit	Short term	2,039.00	[ICRA]A1	Jan 02, 2026	[ICRA]A2+	Nov 05, 2024	[ICRA]A2+	-	-
				Oct 10, 2025	[ICRA]A2+	Feb 06, 2025	[ICRA]A2+		
Non-fund based - Forward cover	Short term	265.00	[ICRA]A1	Jan 02, 2026	[ICRA]A2+	Nov 05, 2024	[ICRA]A2+	-	-
				Oct 10, 2025	[ICRA]A2+	Feb 06, 2025	[ICRA]A2+		
Non-fund based – Capex bank guarantee	Short term	86.00	[ICRA]A1	Jan 02, 2026	[ICRA]A2+	-	-	-	-
				Oct 10, 2025	[ICRA]A2+				

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based –Term loan	Simple
Long term fund based – Cash credit	Simple
Short term - Non-fund based - Letter of credit	Simple
Short term - Non-fund based - Forward cover	Simple
Short term - Non-fund based – Capex bank guarantee	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	Fund based –Term loan	August 2025	NA	March 2035	3,294.00	[ICRA]A (Positive)	RBI
NA	Fund based – Cash credit	NA	NA	NA	923.00	[ICRA]A (Positive)	RBI
NA	Non-fund based - Letter of credit	NA	NA	NA	2,039.00	[ICRA]A1	RBI
NA	Non-fund based - Forward cover	NA	NA	NA	265.00	[ICRA]A1	RBI
NA	Non-fund based – Capex bank guarantee	NA	NA	NA	86.00	[ICRA]A1	RBI

Source: Company

[#] 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.

[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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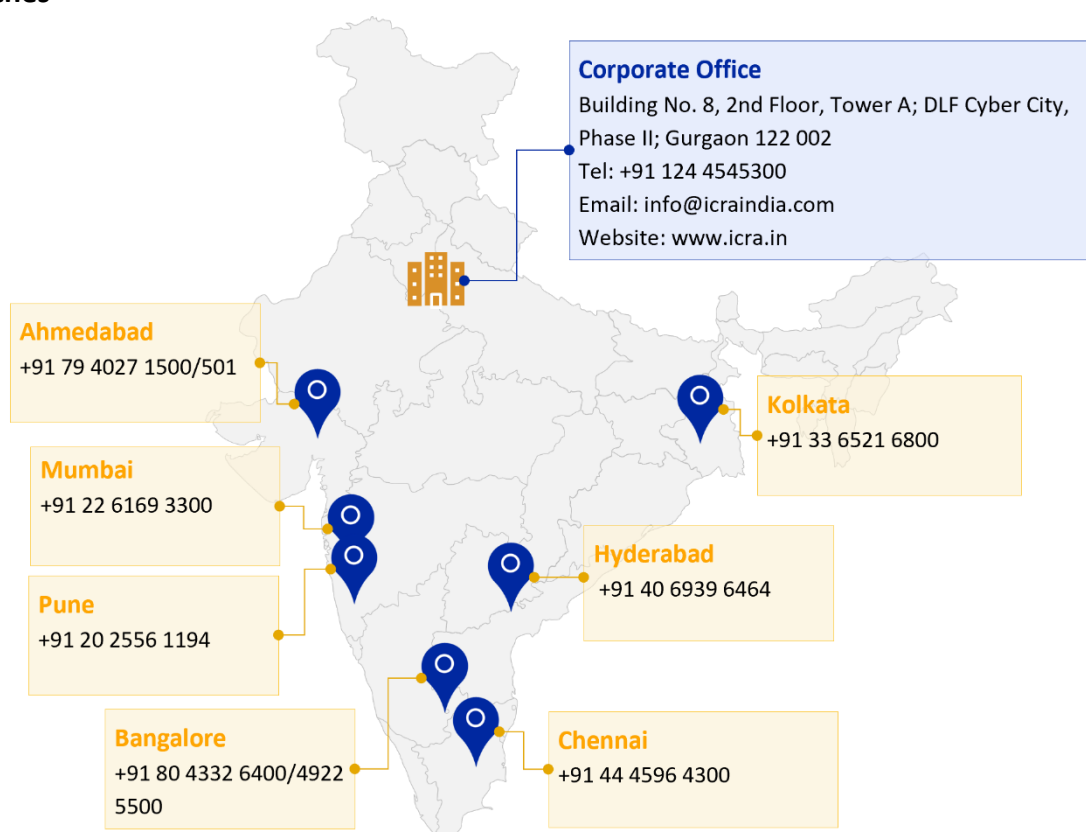
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