Avikiran Solar India Private Limited

January 17, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	825.00 (Reduced from 1,443.56)	CARE BBB+; Stable	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Avikiran Solar India Private Limited (ASIPL) factors in the elimination of execution risk post successful commissioning of 165.9 MW (out of down-sized capacity of 168 MW) capacity of the plant. The revision also takes cognisance of creation of debt service reserve account (DSRA) for two quarters of debt servicing along withdrawal of balance project loan aiding its liquidity profile. Despite a relatively short generation track record, the rating takes comfort of the anticipated benefits accruing to the project from favourable machine attributes.
The rating continues to derive strength from long-term power purchase agreement (PPA) with Solar Energy Corporation of India Limited (SECI) for the entire capacity at a fixed tariff and a fixed tenure providing revenue visibility along with the strong financial profile of the off-taker. The rating continues to factor in the reputed parentage of Enel SpA (the ultimate parent) providing access to technical strength to Indian subsidiaries including ASIPL.
The strengths are, however, tempered due to the elevated interest rate and its exposure to interest rate fluctuation risk. The rating is constrained due to stabilisation risk on account of a short operational track record and the dependence of power generation on seasonal wind patterns.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Actual generation in-line or better than P-90 generation estimates on a sustained basis.
- Significant reduction in interest cost leading to improved coverage metrics.

Negative factors

- Substantially lower-than-envisaged generation or increase in the borrowing cost or higher-than-envisaged O&M expenses, leading to material deterioration in cash accrual.
- Deterioration in the credit risk profile of the off-taker along with delay in receipt of payments from the off-taker on a sustained basis leading to elongation in the debtor cycle.

Analytical approach: Standalone

Key strengths

Roughly entire downsized capacity has been commissioned: ASIPL has commissioned capacity of 165.9 MW during February 2022-August 2022 period. The balance 2.1 MW has received energisation approval from the CEA. In September 2022, ASIPL has sought approval from SECI for commissioning.
ASIPL's contracted capacity had been downsized from 285.6 MW to 168 MW as a result of delays due to several factors. The lender has also revised the facility amount as a result of project downsizing. While some liquidated damage was claimed by the off-taker, ASIPL has also sought similar claims from the engineering, procurement, and construction (EPC) contractor. There is no negative impact on the tariff, and thus, project viability. Moreover, SECI has also been clearing the payment for the bills raised during this period on time.

Creation of DSRA and full drawal of loan aids liquidity: ASIPL has created DSRA equivalent to two quarters of debt servicing in the form of bank guarantee. The drawal of balance portion of the term loan during December 2022 will also act as a buffer to meet any cash gap due to this initial stabilisation period.

Low sales risk and low counterparty credit risk: ASIPL's PPA with SECI for a period of 25 years at a fixed tariff provides long-term revenue visibility. The tariff of ₹2.51 per unit is also competitive.
SECI is under administrative control of the Ministry of New and Renewable Energy (MNRE) as an implementation and facilitation institution dedicated to solar and now wind energy sector. SECI enjoys strong parentage through its 100% shareholding with Government of India (GoI) and is strategically important in promoting solar and wind energy sector in India. Also, SECI is a beneficiary in the Tri Partite agreement (TPA) executed between the Centre, State governments and the Reserve Bank of India

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

(RBI). The TPA is signed by the majority of the states/UTs, insulating SECI against possible payment delays by various discoms covered under the TPA. This mechanism is aimed at ensuring timely payments to the power suppliers by SECI.

Part of a reputed group: ASIPL is a wholly-owned subsidiary of Enel Green Power India Private Limited (EGP India), which is a 100% step-down subsidiary of Enel SpA. Enel SpA, which is a multinational energy company, promoted by Ministry of Economy and Finance, Italy, spread across more than 30 countries and six continents with net installed capacity of around 88 GW (including renewable capacity of around 52 GW [includes solar, wind, hydro and geothermal] as on September 2022) and distributing electricity and gas across a network spanning more than 1 million km. Indian renewable operation for the group is being executed by EGP India.
As per the sanctioned terms, Enel Green Power India Pvt Ltd, has provided corporate guarantee to the extent of 5% of the project cost till the achievement of project stabilisation.

Industry Outlook
India has an installed renewable capacity of around 110 GW (excluding large hydro) as on March 31, 2022, comprising solar power of 54 GW, wind power of 40 GW, small hydro of 5 GW and other sources including biomass of 11 GW. There has been a significant traction in solar power installations over the last few years and the cumulative solar power capacity has surpassed the installed wind power capacity, despite its late and slow start. The overall renewable energy installations have increased at a compounded annual growth rate (CAGR) of 17% from FY16-FY22 (refers to the period April 1 to March 31). Over the years, the renewable energy industry has benefitted on account of Government's strong policy support, India's large untapped potential, presence of creditworthy central nodal agencies as intermediary procurers and improvement in tariff competitiveness. Going forward, with India setting up an ambitious target of achieving 450-GW renewable capacity by 2030, the regulatory framework is expected to remain supportive. However, developers are expected to face challenges in the near term on account of rising cost of modules, turbines and other ancillary products along with imposition of basic custom duty on cells and modules from April 2022 onwards, which is expected to drive up costs and result in increase in bid tariffs for new projects. This apart, challenges for acquisition of land and availability of transmission infrastructure also remains a key bottleneck. However, the Indian renewable industry continues to be a preferred investment alternative for both domestic as well as foreign investors and is expected to post robust growth going forward as well which results in CARE Ratings Limited (CARE Ratings) assigning a Stable outlook to the industry.

Key weaknesses

Stabilisation risk persists as operational track record is short: The plant load factor (PLF) was lower than P-90 level during the initial months of operation. The plant faced evacuation constraint due to feeder tripping affecting generation for October 2022 and November 2022. The generation level for the month of December 2022 has been slightly higher than the corresponding P-90 level. Steady generation is yet to be seen.

Elevated interest rate and prone to rate fluctuation: The rate of interest for ASIPL has significantly increased since last review. Thus, at present rate of interest, the minimum debt service coverage ratio (DSCR) beyond FY23 (refers to the period from April 01 to March 31) is moderate at P-90 generation level.
The term loan availed for the project is floating rate loan, however, as per the PPA, the tariff for off-take arrangement of the power is fixed, thereby exposing the company to risk of any change in the cost factors. The interest cost being the primary cost component on cash basis, any adverse movement in interest rate would impact the overall debt-servicing ability of the SPVs.

Delay in project commissioning: The project has witnessed few instances of SCOD extensions in the past with few of the reasons not under the control of ASIPL. The promoter has entered into an agreement to off-load 49% stake in ASIPL. Hence, the infusion of part of the promoter's contribution for the project was postponed for some time. The revised project cost comprises interest during construction component arising due to interim funding. The same was not envisaged by CARE Ratings during the previous review. However, the management expects closure of the share disposal transaction as well as infusion of equity in the near future.

Dependence on climatic conditions, wind strength and patterns and adequate grid availability: The wind projects are exposed to the inherent risks of weather fluctuations leading to variations in wind strength and patterns, which can affect the PLF; thus, the achievement of envisaged PLF levels would be crucial going forward. Also, the eventual PLF levels would be largely dependent upon how much grid is available during the year.

Liquidity: Adequate

The receipt of payments from SECI has been at an average of about 16 days. The company is maintaining DSRA (in the form of BG) equivalent to requirement of two quarters of debt servicing. The cash balance with the company stood at ₹185.15 crore as of December 31, 2022.

Applicable criteria

Rating Outlook and Rating Watch
Definition of Default
Infrastructure Sector Ratings
Solar Power Projects
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities

About the company

ASIPL, a special purpose vehicle (SPV) engaged in wind power generation, is a 100% subsidiary of Enel Green Power India Private Limited. ASIPL has commissioned 165.9 MW of wind power project in Kutch District, in the state of Gujarat. The project has been implemented at a cost of ₹1,424.5 crore. The power generated from the project will be sold to SECI under a long-term PPA for 25 years at a fixed tariff of ₹2.51 per KwH.

Brief Financials (₹ crore)*	FY21 (A)	FY22 (A)	9MFY23 (UA)
Total operating income	0.00	3.73	NA
PBILDT	-3.37	1.01	NA
PAT	-5.31	-19.71	NA
Overall gearing (times)	11.51	42.41	NA
Interest coverage (times)	-1.73	0.15	NA

A: Audited || UA: Un-audited || NA: Not available
*Analytically adjusted as per CARE Ratings' methodology

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for last three years: Please refer Annexure-2

Covenants of rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan	-	-	-	31-03-2040	825.00	CARE BBB+; Stable

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term loan	LT	825.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (19-Oct-21)	-	-

*Long term / Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
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