

## Avaada Energy Private Limited

March 19, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long Term / Short Term Bank Facilities	100.00	CARE A-; Stable / CARE A2+ (Single A Minus; Outlook: Stable/ A Two Plus)	Reaffirmed; Outlook revised from Negative
Long Term Bank Facilities	-	-	Withdrawn
<b>Total</b>			

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation in the ratings of the bank facilities of Avaada Energy Private Limited (AEPL) considers experienced and resourceful promoters, proven track record in renewable energy business, equity infusion by strategic/financial PE investors (USD 155 Mn in last 24 months) and availability of land bank for under-construction solar power projects. The ratings also factor in revenue visibility in the near term on account of EPC orders of SPV's for under implementation projects and adequate liquidity position. CARE has withdrawn the rating assigned to the Long-Term Bank Facilities of AEPL with immediate effect, as the company has repaid the bank facility and there is no amount outstanding under the facility as on date.

The ratings are constrained by significant deviation in the actual execution of projects under construction (on account of deferment) and subsequent financial performance as compared to envisaged during last review. The company has total operational capacity of ~27% (738 MW - AC) out of total portfolio of projects while balance is under construction thus exposing the company to project risks. The ratings are further tempered by short track record of operational projects, equity commitment risk in SPV's and criticality with respect to raise the same going forward, exposure to counterparty credit risk for incremental capacity in pipeline for implementation which has been tied up with off-takers with overall weak credit profile, as well as highly competitive intensity in the industry.

Going forward, completion of project within stipulated timelines and budget, improvement in profitability and envisaged power generation will remain the key rating sensitivities.

### Rating Sensitivities

#### Positive rating sensitivities:

- Operational projects constituting more than 2/3 of total portfolio of assets with minimum of one year of track record

#### Negative rating sensitivities:

- Delay in receipt of payments from power off-takers by more than 3 months
- Any significant delay in equity raising beyond July 2021, leading to delay in execution of solar projects than envisaged timelines.
- Deterioration in Combined Debt/Combined EBIDTA exceeding above 6x for consecutive two years.

### Outlook: Stable

The outlook is revised from 'Negative' to 'Stable' on account of blanket extension in timelines granted by MNRE for 5 months with respect to COVID-19 and decrease in the prices of solar modules compared to that of bid out tariffs, thereby incentivising successful implementation of under construction projects as envisaged without any delay along with infusion of additional equity for the same from existing investors which remains crucial for its credit profile. Further, it is to be noted that with significant pipeline of projects to be implemented (~73% of total portfolio), project risk remains high and the rating will be downgraded in case of inability to meet planned operational capacity in stipulated timelines, inability to generate sufficient accruals from the same as envisaged or any deterioration in margins.

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### Resourceful Promoter

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Avaada group is owned and managed by Mr. Vineet Mittal, who is an experienced entrepreneur. Under Mr. Vineet Mittal, Welspun Energy Private Limited (WEPL) became a significant player in the renewable energy industry. Within a short span of 5 years, Mr. Mittal built a renewable energy portfolio of 1,141 MW in WEPL and monetized the same by selling it for Rs. 9,249 crore. Mr Vineet Mittal is on the board of infrastructure steering committee of the World Economic Forum, B20 Green Growth Action Alliance and Clean Energy Finance Forum, as well as industry advisor to multiple Indian government bodies.

#### ***EPC order book to provide medium term visibility***

Apart from developing solar power projects, Avaada Energy Private Ltd (AEPL), wholly owned subsidiary of AVPL, also undertakes EPC work for group company projects. As of Dec 31, 2020, the company has total order book of over Rs. 7,512 crores to be executed over the next 1-2 years providing revenue visibility in the near to medium term. AVPL also plans to undertake third party EPC contracts however the company has no definitive agreements for the same as on date.

#### ***Fund infusion by PE investors***

PE investors DEG (Germany) and FMO (Netherlands) have infused USD 50 mn during February 2019, Asian Development Bank (ADB) has invested USD 50 mn during April 2019 and PROPARCO (French financial institution) has invested USD 15 mn in November 2019 resulting in total PE infusion of ~Rs.805 crore, in AEPL in the form of Compulsory Convertible Debentures (CCD). The PE investors also invested ~297 crore in October 2020, taking the total infusion to ~Rs. 1103 crore. The investors further have an option to invest additional funds on similar terms.

#### ***Pan India land bank***

The land requirement for a typical solar project is ~3.54 acres per MW. The company has acquired rights to land possession to the tune of about 6386 acres (~75%) out of total 7749 acres target of ongoing projects pan-India as on date. The availability of land bank gives significant competitive advantage to the group.

#### ***Key Rating Weaknesses***

##### ***Limited track record of the operational projects and project risk***

Operational projects under Avaada group have a limited operational track record. The group through its subsidiaries has a total portfolio of 2700 MW (AC) of which 738 MW (AC) is operational with track record of less than 2 years and the balance is under various stages of development. Further, the company has slowed down the commissioning of some projects mainly on account of imposition of safe guard duty on solar modules for two years and accordingly projects are planned for commissioning post July 2020 and further delayed due to COVID led supply disruptions.

the same shall be speeded up post July 2021 when safe guard duty of 14.5% on solar cells and modules expire. The ability of the company to successfully execute projects without any delay or major cost overruns remains a key rating monitorable.

##### ***High exposure to SPVs/group companies***

The Company's revenues are derived by undertaking EPC contracts for setting up group's power projects, which is contingent to the company winning them under competitive bidding. The company has high dependency on SPV contracts as on date.

##### ***Counterparty credit risk***

The company is exposed to counterparty credit risk with respect to realisations of receivables from off-takers going forward, which may impact its ability to meet its debt obligations. ~30% of the capacity is tied up with SECI while balance capacity is tied up with state utilities and private parties. Although payment security mechanism is in place, however payment track record from these off-takers remains key rating monitorable

##### ***Equity Commitments in SPVs***

Avaada group has to infuse equity into subsidiaries thereby exposing the company to equity commitment risks. Out of total equity requirement of Rs. 2130 crore for under-construction projects, the group is yet to raise Rs.882 crore to meet its project costs. Further, the group is in advance talks to raise additional equity of USD 250 mn through PE route in FY22 out of USD 360 mn required for FY22 and FY23. However, ability to raise the same within timelines remains crucial.

##### ***Fixed time and price contracts***

AEPL enters into EPC contracts with special purpose vehicles (SPVs) wherein the price, timelines and performance parameters are fixed, failing which AEPL is liable to pay damages. The above conditions expose the company to project implementation risk, in case of any delays in execution and increase in input costs. The company enters into back to back orders for procuring materials from the suppliers thereby mitigating the risk to a certain extent.

##### ***Increased level of competitive intensity in the industry***

Due to technological advancements relatively faster execution of solar energy projects compared with conventional sources is envisaged. Cheaper cost of raw materials and borrowings, government impetus to solar power, renewable purchase obligation targets, renewable energy certificates, etc. has increased the number of players in this industry.

#### Liquidity: Adequate

On a consolidated basis, total free cash and bank balance stood at Rs. 356.92 crore as on March 31, 2020. As on January 4, 2021, the company has liquid investments in the form of mutual funds and fixed deposits to the tune of Rs.403.76 crores (excluding BG margin and funds to be used for retirement of Buyer's credit). The average utilization for the non-fund limits stood at 83% during past 12 months ending December 2020. Liquidity position is adequate due to financial support from promoters/PE infusion and availability of sufficient cushion to cover debt repayment obligations within next 1 year.

**Analytical approach:** Consolidated including Avaada Ventures Pvt Ltd, Avaada Energy Pvt Ltd. along with SPV's on account of operational and financial linkages.

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios - Non-Financial sector](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology: Solar Power Projects](#)

#### About the Company

Avaada Ventures Private Limited (AVPL) (erstwhile Candor Power Private Limited) is a Vineet Mittal [former co-founder of Welspun Energy Pvt. Ltd. (WEPL)] group entity. AVPL is the holding company of Avaada Energy Private Limited (AEPL) and Clean Sustainable Energy Pvt. Ltd. The promoters of WEPL (Mr. Goenka and Mr. Mittal) sold WEPL's subsidiary, Welspun Renewable Energy Private Limited (WREPL) to Tata Power Renewable Energy Ltd. (TPREL) for Rs. 9,249 crore in September 2016. Post the sale of WREPL, the EPC business of WEPL was demerged to GRPL. Until FY19, AVPL executed EPC projects for the renewable power projects won by its SPVs. However, now the company will focus entirely on third party projects while in-house projects will be undertaken by AEPL. The company through its subsidiaries has a total portfolio of 2700 MW (AC) of which 738 MW (AC) is operation and the balance is under various stages of development.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	269.48	451.06
PBILDT	194.45	379.75
PAT	3.33	-28.96
Overall gearing (times) considering CCD as quasi equity	2.05	2.16
Interest coverage (times)	1.4	1.38

A: Audited

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

**Complexity level of various instruments rated for this company:** Annexure 5

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ST-Letter of credit	-	-	-	100.00	CARE A-; Stable / CARE A2+

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A-; Negative (20-Dec-19)	1)CARE A-; Stable (18-Oct-18) 2)CARE A-; Stable (10-Apr-18)	1)CARE BBB+; Stable (03-Jan-18)
2.	Non-fund-based - LT/ST-Letter of credit	LT/ST	100.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Negative / CARE A2+ (20-Dec-19)	1)CARE A-; Stable / CARE A2+ (18-Oct-18) 2)CARE A-; Stable / CARE A2+ (10-Apr-18)	1)CARE BBB+; Stable / CARE A2 (03-Jan-18)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities**

	Timeline to be complied by
<b>A. Financial covenants</b>	
1. Minimum asset cover of 1.5x	Within 60 business days from end of each quarter
2. Term debt of borrower (excluding working capital and project debt/Total investments and loans & advances in its SPVs <0.5x	Within 180 business days from end of financial year
3. Total Debt/Tangible Net worth <1.5x	Within 180 business days from end of financial year
4. Total Debt of borrower (excluding project debt) not to exceed INR 4.5 Billion	Annually within 180 business days from closure of financial year
5. Consolidated Debt/Consolidated EBIDTA <5x	Annually within 180 business days from closure of financial year
<b>B. Non-financial covenants</b>	
1. AEPL to continue to be EPC arm of majority of power business of the group	
2. Undertaking from AVPL to continue holding 51% shareholding and management control in AEPL	

**Annexure-4: List of subsidiaries, associates and joint ventures of Avaada Ventures Private Limited getting consolidated (list as on March 31, 2020)**

Name of Subsidiary	% of voting power held in March 2020
Avaada Semiconductors Pvt Ltd	100%
Avaada Technologies Pvt Ltd	100%
Avaada Infra Pvt Ltd	100%
Avaada Renewable Pvt Ltd	100%
Avaada Foundation	100%
Avaada Energy Pvt Ltd	100%
Fermi solar farms Pvt Ltd	100%

Name of Subsidiary	% of voting power held in March 2020
Avaada Sustainable Energy Pvt Ltd	100%
Solarsys Non-conventional Energy Pvt Ltd	100%
Clean Sustainable Energy Pvt Ltd	100%
Avaada Non-Conventional Energy Pvt Ltd	100%
Avaada Solar Energy Pvt Ltd	100%
Avaada Green Sustainable Energy Pvt Ltd	100%
Avaada Clean Energy Pvt Ltd	100%
Avaada Sunce Energy Pvt Ltd	100%
Avaada Clean Sustainable Energy Pvt Ltd	100%
Viraj Solar Maharashtra Pvt Ltd	100%
Avaada Green HNProject Pvt Ltd	100%
Avaada Solarise Energy Pvt Ltd	100%
Avaada Non-Conventional UP Project Pvt Ltd	100%
Avaada Clean Project Pvt Ltd	100%
Avaada Sunbeam Energy Pvt Ltd	100%
Avaada Sunrise Energy Pvt Ltd	100%
Avaada Clean TN Project Pvt Ltd	100%
Avaada MH Buldhana Pvt Ltd	100%
Avaada MHKhamgaon Pvt Ltd	100%
Avaada Sustainable RJProject Pvt Ltd	100%
Avaada HN Adampur Pvt Ltd	100%
Avaada Satara MH Pvt Ltd	100%
Avaada HN Sirsa Pvt Ltd	100%
Avaada Solar Project Pvt Ltd	100%
Avaada Floating Solar MH Pvt Ltd	100%
Avaada Solar HNProject Pvt Ltd	100%
Avaada Solar UPKharpar Pvt Ltd	100%
Avaada Clear RJProject Pvt Ltd	100%
Avaada Grean MP Project Pvt Ltd	100%
Avaada Solar UP Jamini Pvt Ltd	100%
Avaada Green RJProject Pvt Ltd	100%
Avaada Green AP Project Pvt Ltd	100%
Pahuj Energy Pvt Ltd	100%
Avaada Sustainable Solar Energy Pvt Ltd	100%
Avaada Green KN Project Pvt Ltd	100%
Avaada Clean KN Project Pvt Ltd	100%
Gobindsagar Energy Pvt Ltd	100%
Lachura Solar Pvt Ltd	100%
Matatila Energy Pvt Ltd	100%
Rohilik Energy Pvt Ltd	100%
Avaada Sunrays Energy Pvt Ltd	100%
Avaada RJHN Pvt Ltd	100%
Avaada UP Project Pvt Ltd	100%
Avaada MH Sustainable Pvt Ltd	100%
Avaada Bankabihar Pvt Ltd	100%
Welspun Green Energy Pvt Ltd	100%
Avaada Energy Singapore Pvt Ltd	100%
Avaada Energy Mauritius Pvt Ltd	100%
Grenoble Infrastructure Pvt Ltd	100%

**Annexure 5: Complexity level of various instruments rated for this company**

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

Sr. No.	Name of the Instrument	Complexity Level
2.	Non-fund-based - LT/ ST-Letter of credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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