Azure Power Jupiter Private Limited

December 17, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	184.18 (Reduced from 191.44)	CARE A; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on the bank facilities of Azure Power Jupiter Private Limited (APJPL), which is operating a 50 MW AC solar power project in the state of Uttar Pradesh, factors in the healthy track record of more than seven years with satisfactory operational performance and timely collections. The company reported Plant Load Factor (PLF) of 17.5% in FY24 against 17.9% in FY23 and the PLF in H1FY25 was 17.0%. Going forward, CARE Ratings Limited (CARE Ratings) expects generation to remain in line with the historical trend. Further, CARE Rating notes the provision of cash sweep in the financing terms, which was exercised in FY23, FY24 and YTD FY25 resulting in a cash sweep of ~Rs. 2.5 crore.

The rating continues to factor the presence of long-term (25 years) Power Purchase Agreement (PPA) for the entire capacity at a fixed tariff of Rs. 4.78 per unit with National Thermal Power Corporation Limited (NTPC; rated CARE AAA; Stable/A1+), which provides revenue visibility. Further, a strong counterparty viz. NTPC continues to ensure the collections to remain timely with the dues being cleared within a week from the date of invoice. This apart, the liquidity profile of the company is expected to remain adequate supported by presence of a debt service reserve account (DSRA) equivalent to one-quarter of debt servicing. Going forward, CARE Ratings expects the project's coverage indicators to remain comfortable with cumulative Debt Service Coverage Ratio (DSCR) being over 1.2x for the term debt tenure. The rating continues to derive strength from the experienced promoters having a track record of successfully commissioning and operating solar power projects in multiple geographies.

The rating is, however, constrained on account of the leveraged capital structure, as reflected by total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) of ~8.5x as on FY24 end. Going forward, per CARE Ratings' base case, the capital structure will continue to remain leveraged with TD/EBITDA multiple to remain above ~7.0x over the next few years. The project's cash flows are exposed to adverse movement in interest rates, which is floating for the project debt and subject to periodic reset. CARE Ratings also factors in exposure of project cash flows to adverse variations in weather conditions given the single part tariff of the project coupled with asset concentration risk given the full capacity is located in a one state.

Further, CARE Ratings notes that the FY24 audited financial statements continue to be qualified with the auditor highlighting the group level issues such as gaps in internal control systems, weaknesses in financial reporting etc. Additionally, there is a penal interest of 1% per annum being charged by the lenders for the delay in security perfection.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in generation resulting in sustenance of coverage metrics & improvement in liquidity profile
- Faster than expected deleveraging of the project

Negative factors

- Significant underperformance in generation or sustained elongation in receivables, adversely impacting liquidity profile.
- Increase in debt level or interest rates, adversely impacting coverage metrics with cumulative DSCR declining to less than 1.15x.
- Non-compliance of various covenants as per sanction terms including continued maintenance of DSRA equivalent to 1 quarter of debt servicing

Analytical approach: Standalone

Outlook: Stable

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

The stable outlook on the CARE A rating of APJPL reflects CARE Ratings' opinion that the company would benefit from its long-term PPA with NTPC. Expectations of satisfactory generation and collection performance support the outlook.

Detailed description of the key rating drivers:

Key strengths

Operational track record of over seven years with satisfactory generation performance

The 50 MW grid connected solar photovoltaic (PV) under APJPL is located at Hamirpur, Shahjahanpur, Hardoi and Banda district in Uttar Pradesh and was commissioned in phases from June, 2017 till September 2017, and has a satisfactory operational track record of over seven years. The average PLFs for past five years is broadly in line with the envisaged P90 levels. The company reported Plant Load Factor (PLF) of 17.5% in FY24 against 17.9% in FY23 and the PLF in H1FY25 was 17.0%. Going forward, CARE Ratings expects generation to remain in line with the historical trend.

Long-term revenue visibility on account of long-term PPA for the entire capacity with a strong off-taker

APJPL has a long-term (25-year) PPA with NTPC for the entire capacity at a fixed tariff of Rs. 4.78 per unit for the entire duration of the project, i.e., till September 2042, which provides revenue visibility. The presence of a strong counterparty like NTPC is expected to lead to the timely realisation of payments under the PPAs. On average, the collection cycle remained below 30 days, resulting in less amount of funds being blocked as debtors for the company, and therefore, ensuring adequate liquidity. Moreover, the payment security mechanism in PPA/PSA arrangements is relatively superior to the state policy PPAs because of the letter of credit mechanism and the benefits available to NTPC under the tripartite agreement (TPA) with the Government of India (GoI), the Reserve Bank of India (RBI), and the state government. Furthermore, the landed tariff to the ultimate counterparty (discom) is competitive, given that NTPC is bundling the power from this project with cheaper thermal power.

Experience promoter group having a strong track record of operating solar power projects

APJPL is a part of Azure Group which is among the leading renewable energy players in India; and is backed by renowned groups as its shareholders. The Group reported an operational solar portfolio of ~3 GW and a capacity of ~1 GW under pipeline as on October 2024 end. APJPL is a subsidiary of Azure Power India Private Limited [APIPL; rated CARE BBB+ (RWD)/ CARE A2 (RWD)], which is the flagship Indian company of the Azure Group and a subsidiary of Azure Power Global Limited (APGL). CDPQ which is pension fund of Canada holds more than 50% stake in the Azure group. The second largest shareholder in the group is OMERS which is also a Canadian pension fund.

Key weaknesses

Leveraged capital structure, however, supported by comfortable debt coverage indicators

APJPL's capital structure is leveraged on account of the debt-funded capex incurred for setting up the project along with deterioration in the net worth base resulting from negative accretion in reserves since commissioning of the project, as reflected in TD/EBITDA of 8.5x as on FY24 end. Given the high amount of debt outstanding, CARE Ratings expects capital structure to remain leveraged with TD/EBITDA to remain above 7.0x over the next few years. However, CARE Ratings expects project's coverage to remain healthy with cumulative DSCR being above 1.2x for the term debt tenure.

Vulnerability of cash flows to variation in weather conditions

Project cash flows are exposed to adverse variations in weather conditions given the project's single part tariff. As tariffs are one part in nature, the company may book lesser revenues from non-generation of power due to variation in weather conditions and/or equipment quality. This would affect its cash flows and debt servicing ability. The geographical concentration of asset amplifies the generation risk.

Further, the project's cash flows are exposed to adverse movement in interest rates, which is floating for project debt and subject to periodic reset. However, CARE Ratings notes that the rate of interest for the company is fixed for a period of five years (till October 2027) and would be subject to reset after every subsequent five years, thereby mitigating the interest rate risk to some extent.

Liquidity: Adequate

The liquidity of the company is adequate, as reflected by cash and bank balance of ~Rs. 20.7 crore as on August 31, 2024. This apart, the company is maintaining DSRA covering one quarter of debt service obligations in the form of bank guarantee. Further, as per the financing terms, there is a cash sweep provision which was exercised in FY23, FY24 and YTD FY25 resulting in a cash sweep of ~Rs. 2.5 crore.

As per CARE Ratings' base-case scenario, the adjusted gross cash accruals (GCA) for FY25 and FY26 is expected to be ~Rs. 10.5 crore and ~Rs. 12.6 crore against annual repayments of ~Rs. 9.7 crore each for FY25 and FY26.

Applicable criteria

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

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

APJPL incorporated in January 2015, is a subsidiary of APIPL which is a step-down subsidiary of APGL which in engaged in the business of renewable energy. APIPL holds 51% stake in APJPL, and the remaining is held by Hanwha Energy Corporation Singapore Pte. Ltd. (HECSPL). APJPL is operating a 50 MW AC (58.69 MW DC) solar power plant based on Photo Voltaic (PV) technology located at Hamirpur, Shahjahanpur, Hardoi and Banda district in Uttar Pradesh. The project got commissioned in phases with 50 MW DC commissioned in September 2017 and subsequently additional DC capacity of around 8.45 MW was added in February 2020. The company is supplying entire power to NTPC at a fixed tariff of ₹4.78/kWh under a 25-year PPA.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	37.32	33.99
PBILDT	22.93	21.45
PAT	1.09	0.98
Overall gearing (times)	6.42	5.93
Interest coverage (times)	1.61	1.30

A: Audited; PBILDT: Profit Before Interest, Lease, Depreciation and Tax; PAT: Profit after Tax; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	30-Sep-2037	184.18	CARE A; Stable

Annexure-2: Rating history for the 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	184.18	CARE A; Stable	1)CARE A; Stable (25-Jun-24)	1)CARE A (RWN) (07-Mar-24) 2)CARE A (RWN) (18-Jul-23)	1)CARE AA-; Stable (16-Mar-23)	1)CARE AA-; Stable (02-Feb-22)

LT: Long term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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 the 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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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