Adani Solar Energy Jodhpur Five Limited

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	606.57 (Reduced from 629.60)	CARE AA-; Stable	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on the bank facilities of Adani Solar Energy Jodhpur Five Limited (ASEJ5), which is operating a 200 MW (AC) solar power plant in Rajasthan, factors in its satisfactory operating track record of more than five years. The generation performance has remained in line with the designed energy estimates and collections have remained timely. The company has reported PLF of 26.8% during FY24 as against P90 estimate of 26.6%. However, there has been moderation in the generation performance during FY25 as the company reported PLF of 26.8% during 7MFY25 as against PLF of 28.5% during corresponding period last year on account of low resource availability. Going forward, CARE Ratings expects the generation performance to remain in line with the historical trend. Furthermore, CARE Ratings has also withdrawn its rating on the CC limit as this limit has been relinquished by the company. The withdrawal has been taken at the request of the company and receipt of 'No Dues Certificate' from its lender for the facility rated by CARE Ratings.

The rating continues to be supported by the presence of a long-term, 25-year power purchase agreement (PPA) at a fixed tariff of Rs. 2.48/kWh. Furthermore, the counterparty credit risk for the project remains low on account of Solar Energy Corporation of India (SECI) being the offtaker for the entire capacity. The company continues to maintain Debt Service Reserve Account (DSRA) equivalent to two quarter of debt servicing as per the sanction terms. Going forward, CARE Ratings expects the coverage indicators of the project to remain healthy as reflected by cumulative debt service coverage ratio (DSCR) being upwards of 1.2x for the tenor of the term debt.

The rating is, however, constrained by the leveraged capital structure as reflected by Total Debt/EBIDTA of 6.5x as on FY24 end. As per CARE Ratings base case, the Total Debt/EBITDA is expected to remain above 5.0x over the next two fiscals. Furthermore, the project is exposed to interest rate fluctuation risk since the interest rates are on floating basis. CARE Ratings Limited (CARE Ratings) also factors in exposure of project cash flows to adverse variations in weather conditions given the single part nature of tariff for the project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Actual generation remaining above P90 levels on a sustained basis, resulting in an improvement in the liquidity profile
- Faster-than-expected deleveraging of the project

Negative factors

- Increase in debt level or interest rates adversely impacting the coverage metrics, as reflected by a reduction in the cumulative DSCR to less than 1.15x on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The Stable outlook on the CARE AA- rating of ASEJ5 reflects CARE Ratings' opinion that the company would benefit from its long-term PPA with SECI. Also, expectations of satisfactory generation and collection performance support the outlook.

Detailed description of the key rating drivers:

Key strengths

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

Long-term revenue visibility on account of presence of PPAs for the entire capacity with offtaker having strong credit risk profile

ASEJ5 has entered into long-term PPA with SECI for a tenor of 25 years at a tariff Rs. 2.48/kwh providing long-term revenue visibility. SECI is an intermediary counterparty and thus, energy generated from this project is sold to distribution utilities, which are the ultimate offtakers. SECI has signed PSAs with distribution utilities in Rajasthan. The presence of a strong intermediate counterparty like SECI has led to the timely realisation of payments under the PPA, with payments being cleared within 9 days from the date of raising of invoice.

Satisfactory operational track record of more than five years with generational performance being in line with P90 estimate during last 12 months

The 200 MW AC grid connected solar photovoltaic technology constructed by ASEJ5, located in Rajasthan, was fully commissioned in July 2019 and has an operational track record of more than five years. The plant has reported a PLF of 26.8% for FY24 as against P90 estimate of 26.6%, thus in line with the designed estimates. However, there is a slight moderation in the 7MFY25 PLF of 26.8%, as against 28.5% for 7MFY24 on account of low resource availability. Going forward, CARE Ratings expects the generation performance to remain in line with the historical trend.

Timely receipt of SGD reimbursement

The company had incurred safeguard duty (SGD) on import of modules which was a part of the project cost. The company had subsequently filed petition with the Central Electricity Regulatory Commission (CERC) for pass-through of SGD as per the "change in law" clause of the PPA. The total SGD incurred on the project was Rs. 122.2 crore and ASEJ5 has received compensation of ~Rs. 76 crore as on date. Timely receipt of monthly annuities payment from the offtaker continues to remain critical from cash flow perspective.

Moderately comfortable debt coverage indicators of the project

The debt coverage indicators are expected to remain comfortable as reflected by cumulative DSCR being upwards of 1.2x for the tenor of the term debt. Further, given the adequate tail life of around six years, the entity has the financial flexibility to amortize the debt over a longer tenor. The company is also maintaining DSRA of ~Rs. 49.6 crore in the form of FD, which is equivalent to two quarters of debt obligations.

Strong & resourceful parentage with an established track record of operations in the renewable sector

Adani Green Energy Limited (AGEL) is the flagship company of the Adani group in the renewable energy segment and is the parent entity of all renewable energy assets of the group. It is listed on National Stock Exchange and Bombay Stock Exchange since June 2018. AGEL is amongst the leading renewable energy companies in India having a combined installed and commissioned operational capacity of 11,184 MW as on Sept 30, 2024.

Key weaknesses

Vulnerability of cash flows to variation in weather conditions

As tariffs are one part in nature, the company may report lesser revenues in the event of non-generation of power due to variation in weather conditions and/or equipment quality. This, in turn, would affect its cash flows and debt servicing ability. The geographical concentration of asset amplifies the generation risk.

Leveraged capital structure along with exposure to interest rate risk

ASEJ5's capital structure is leveraged on account of the debt-funded capex incurred for setting up the project which is customary to the renewable sector. The same is reflected by high Total Debt/EBITDA of 6.5x as on FY24-end. The capital structure is expected to remain leveraged with Total Debt/EBITDA expected to stay above 5x over the next two fiscal years. Given the leveraged capital structure, single-part nature of fixed tariff in PPA, the company's profitability remains exposed to fluctuation in interest rates.

Liquidity: Adequate

As of October 2024, the company had cash and bank balance of ~Rs. 10.7 crore and DSRA balance of ~Rs. 49.6 crore in form of FDs which is equivalent to two quarters of debt servicing. Going forward, CARE Ratings expects the generation profile to remain in line with the historical trend and collection efficiency to remain satisfactory given the presence of strong counterparty for the offtake.

As per CARE Rating's base case, GCA for FY25 and FY26 is expected to be around ~Rs. 41-49 crore as against annual repayments of around ~Rs. 29-31 crore.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector ent
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Withdrawal Policy
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

ASEJ5, incorporated in April 2018, is now a wholly owned subsidiary of Adani Energy Holdings Limited (AEHL), wherein erstwhile, ASEJ5 was a wholly owned subsidiary of SBE Four Limited, a 100% step-down subsidiary of AEHL. Furthermore, AEHL is a wholly owned subsidiary of AGEL. The company is operating 200 MW solar power project in Rajasthan. The company has entered into a PPA with SECI on April 27, 2018, for a period of 25 years, at a fixed tariff of ₹2.48 per unit.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	117.6	115.4
PBILDT	102.4	95.4
PAT	17.0	20.0
Overall gearing (times)	1.8	1.6
Interest coverage (times)	1.7	1.5

A: Audited; 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	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Sept 30, 2038	606.57	CARE AA-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	0.00	Withdrawn

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	606.57	CARE AA-; Stable	-	1)CARE AA-; Stable (21-Mar-24)	1)CARE AA-; Stable (16-Mar-23)	1)CARE AA-; Stable (04-Mar-22) 2)CARE A (CW with Developing Implications) (25-May-21)
2	Fund-based - LT-Working Capital Limits	LT	-	-	-	1)CARE AA-; Stable (21-Mar-24)	1)CARE AA-; Stable (16-Mar-23)	1)CARE AA-; Stable (04-Mar-22) 2)CARE A (CW with Developing Implications) (25-May-21)

*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
2	Fund-based - LT-Working Capital Limits	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.

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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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