

Adani Renewable Energy Devco Private Limited

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	247.50	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has taken a combined approach for rating the bank facilities of Adani Renewable Energy Devco Private Limited (AREDPL) wherein the under-construction entities which are a part of the co-obligor structure have been analysed. CARE Ratings factors in the presence of co-obligor arrangement between AREDPD and other group entities viz, Adani Renewable Energy Holding Seventeen Limited (AREH17), Adani Solar Energy AP Eight Private Limited (ASEAP), Adani Renewable Energy Holding Eighteen Limited (AREH18), Adani Renewable Energy Holding Sixteen Limited (AREH16), Adani Renewable Energy Holding Nineteen Private Limited (AREH19) as all entities shall be jointly and severally liable for the facility availed in accordance with the terms of sanction letter.

The rating continues to derive strength from the strong parentage by the virtue of these entities being a part of Adani Green Energy Limited (AGEL) group. Further, Adani Energy Holdings limited (AEHL) which is the immediate parent of AREDPD, and a wholly owned subsidiary of AGEL, has extended an irrevocable and unconditional corporate guarantee which shall remain valid till the final settlement date of the facility. This apart, the rating derives strength from the presence of long-term power purchase agreements (PPAs) with strong offtakers, Solar Energy Corporation of India (SECI) and National Hydroelectric Power Corporation (NHPC) for 1.5 GW under-construction capacity for which the rated limits have been utilised.

Nevertheless, the rating is constrained on account of exposure to execution risk as the projects are under-implementation stage. The ability of the companies to execute the project without any material time and cost overrun will be a key credit monitorable. Furthermore, the capital structure of the entities is expected to be leveraged as the projects are likely to be funded through a mix of debt and equity. CARE Ratings also considers vulnerability of project cash flows to adverse variation in weather conditions, given the PPA tariff is single part and fixed for the full tenor.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in credit risk profile of the ultimate holding company viz. AGEL

Negative factors – Factors that could lead to negative rating action/downgrade:

- Invocation of performance bank guarantees due to non-compliance with the terms of various contracts or due to delays in execution of projects under implementation.
- Any weakening of the credit profile of the parent, i.e., AGEL, or any change in linkages/support philosophy between the parent and AREDPD would be a negative factor.

Analytical approach: CARE Ratings has taken a combined approach for the under-construction entities viz, AREH17, ASEAP, AREH18 and AREH16 (now operational) present under co-obligor structure. The under-construction entities have joint and several liability of the co-borrowers. Further, AEHL has extended a full tenor corporate guarantee to the two of these borrowers i.e. AREH17 and AREH18. This apart, parentage and expected support from Adani group has been factored suitably by virtue of these entities being ultimate subsidiaries of AGEL.

Outlook: Stable

CARE Ratings expects the underlying capacity to get commissioned over the next 24 months. The support from AGEL group shall be forthcoming in case of any cost overrun given the strategic importance of underlying projects and the stated posture of the group towards AREDPD.

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

Detailed description of the key rating drivers:

Key strengths

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

ARDPL is a step down wholly owned subsidiary of AGEL, which is the flagship company of the Adani Group in the renewable energy segment. AGEL is amongst the leading renewable energy companies in India having an operational capacity of ~10.9 GW and capacity under development of ~11 GW as of June 30, 2024.

Moreover, CARE Ratings takes into account presence of unconditional and irrevocable corporate guarantee by its immediate parent, AEHL which shall remain valid throughout the tenor of facility.

Presence of co-obligor structure for entities

AREDPL and 18 other group entities of Adani group have jointly formed a structure and have availed non fund based limits. As per the sanctioned terms, all these entities shall be jointly and severally liable for the facility availed by these entities.

Long-term revenue visibility on account of presence of long-term PPA with strong counterparties

The entities under the structure have executed PPA s with strong counterparties viz, SECI and NHPC at a tariff of above Rs. 2.5 per unit which translates into long-term revenue visibility.

Key weaknesses

Exposure to execution risks on account of projects being under implementation

The projects are exposed to execution risk on account of projects being under implementation at present. Nevertheless, tariff of these projects is above Rs. 2.5 per unit which indicates that the projects still have reasonable economic incentive. Going forward, the ability of the companies to execute the project without any material time and cost overrun will be a key credit monitorable.

Leveraged capital structure along with exposure to interest rate risks

The capital structure of the entities is expected to be leveraged as the projects are likely to be funded through a mix of debt and equity. CARE Ratings also takes into account vulnerability of project cash flows to adverse variation in weather conditions, given the PPA tariff is single part and fixed for the full tenor. However, the debt coverage indicators are expected to remain healthy for the tenor of the term debt.

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.

Liquidity: Adequate

Even though AREDPL has limited cash balance, it derives strength from being a part of Adani Group. Further, AREDPL does not have any external debt on its books as on FY24 end. CARE Ratings does not envisage any invocation of the presently outstanding NFB limits and hence the liquidity position is expected to remain comfortable. In case of any exigency, support from Adani Green Energy Limited is envisaged given the importance of this entity and the underlying projects in the overall scheme of things.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Project stage companies](#)

[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

Adani Renewable Energy Devco Private Limited (AREDPL, formerly known as SB Energy Private Limited), incorporated in August 2015, is 99.99% held by Adani Energy Holdings Limited (AEHL). AEHL is a wholly owned subsidiary of AGEL.

AREDPL is a project development company acting as an anchor entity for extending non-fund based limits to other under-construction entities under the structure. The said limits are utilized by these entities as either performance bank guarantees (PBGs) or earnest money deposits (EMD).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024(A)
Total operating income	83.9	63.5	20.5
PBILDT	-22.6	-9.9	-4.4
PAT	-31.9	23.2	19.7
Overall gearing (times)	0.4	1.5	1.3
Interest coverage (times)	NM	NM	NM

A: Audited NM: Not Meaningful; 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	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantee	-	-	-	247.50	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	Non-fund-based - LT-Bank Guarantee	LT	247.50	CARE A-; Stable	-	1)CARE A-; Stable (20-Feb-24)	1)CARE A-; Stable (25-Jan-23)	1)CARE A-(CE); Stable (29-Mar-22) 2)CARE A-(CE) (CW with Developing Implications) (25-May-21) 3)CARE A-(CE) (CW with Developing Implications) (07-Apr-21)
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	1)Withdrawn (25-Jan-23)	1)CARE A-(29-Mar-22) 2)CARE A-(CW with Developing Implications) (25-May-21) 3)CARE A-(CW with Developing Implications) (07-Apr-21)

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	Non-fund-based - LT-Bank Guarantee	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:

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