

Fermi Solarfarms Private Limited

February 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	323.14	Provisional CARE AA; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rating in the absence of the pending steps/ documents	CARE AA-
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Rationale and key rating drivers

In order to arrive at the rating assigned to the long-term bank facilities of the captioned entity, CARE Ratings Limited (CARE Ratings) has adopted a combined approach for the following three entities of the Avaada Group - Fermi Solarfarms Private Limited (FSPL), Clean Sustainable Energy Private Limited (CSEPL) and Avaada Solarise Energy Private Limited (ASEPL). These entities are wholly owned subsidiaries of Avaada Energy Private Limited (AEPL) and have been combined on account of a proposed cash pooling agreement wherein, these entities are mandated to be jointly and severally responsible for servicing the combined debt obligations.

Entities under the structure propose pooling of surplus cash flows from individual entities to service shortfall in debt servicing, if any, in these entities. The proposed arrangement is irrevocable, unconditional, valid for full tenure of rated debt facility and is characterised by presence of cross-default clauses in each of the three entities and a T-minus structured payment mechanism. CARE Ratings notes that these entities along with Avaada SataraMH Private Limited (ASMHP), which is held 74% by AEPL and 26% by group captive consumers, are currently a part of restricted group with outstanding debt in the form of Non-Convertible Debentures (NCDs), which is maturing on 28th February 2025. As articulated by the management, the prevailing debt in these entities is being refinanced through a term loan of ~₹1,018 crore (no top-up vis-a-vis the outstanding amount), with ASMHP's debt being refinanced separately.

The rating action on the bank facilities of the combined entities, which are operating a total solar capacity of 458 MWp, takes into account the benefits of geographical diversification, with the assets being spread across Karnataka (46% of total capacity), Maharashtra (24%) and Rajasthan (30%). The rating also derives strength from the presence of long-term power purchase agreements (PPAs) for the entire capacity, which is split between central counterparty namely Solar Energy Corporation of India (SECI), for 54% of the total capacity and remaining with Bangalore Electricity Supply Company Limited (BESCOM), which has relatively modest credit quality. CARE Ratings takes note of the presence of payment security mechanism in the form of letter of credit (LC) extended for the capacity off-take from SECI and Bank Guarantee (BG) for the capacity off-take from BESCOM. Furthermore, the rating is supported due to the strong parentage by virtue of these assets being a part of Avaada Group, which is a leading renewable energy developer along with the pool's superior tariff competitiveness, with the weighted average tariff being ₹3.2 per unit. The pool has a satisfactory generation performance, as reflected from the weighted average FY24 PLF of 17.6% and 7MFY25 PLF of 17.0% as against the designed energy estimate of 17.1%. The collection performance of the pool is satisfactory as the payments are being received within 75 days from invoicing, which is in line with the PPA terms. The debt protection metrics of the proposed structure are comfortable, as reflected by forward looking average Debt Service Coverage Ratio (DSCR) being ~1.30x as per CARE Ratings' base case scenario. Per the terms of sanction, the pool has to create ~1.5 quarters of DSRA (2 quarters for asset contracted with state counterparty i.e., BESCOM and 1 quarter for assets contracted with central counterparty i.e., SECI) within thirty days from the date of disbursement. The structure has adequate liquidity as reflected by cash and bank balance of ~₹317 crore, including current DSRA (equivalent to three quarters of debt servicing) of ₹113 crore, as on January 10, 2025. However, CARE Ratings also notes that the pool would be upstreaming surplus funds post complying with the DSRA creation of ~1.5 quarter or any other terms and conditions, as per the new financing terms.

Nonetheless, these rating strengths are constrained by leveraged capital structure, as reflected by projected Total External Debt/EBITDA of ~5.7x as on FY25 end. Going forward, the capital structure is expected to remain leveraged with Total External Debt/EBITDA remaining above 5.0x till FY27. The rating also factors in exposure of project cash flows to adverse variation in weather conditions and fluctuations in interest rates.

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

Further, as these entities are yet to formally enter into an intercompany agreement for pooling of cash flows, rating for the debt facilities is provisional and will be confirmed once the documentation is completed. CARE Ratings believes that this co-obligor agreement is central to the rating being assigned on the term loan and hence the rating would be finalised only upon its execution.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in the actual generation levels thereby resulting into an average DSCR above 1.40x
- Faster than expected deleveraging of the assets

Negative factors

- Sustained underperformance in generation of the overall portfolio thereby resulting in downward revision of average DSCR to below 1.25x
- Overall receivables stretching beyond 100 days on a sustained basis

Analytical approach: Combined

CARE Ratings has applied a combined approach for rating the bank facilities of FSPL, CSEPL and ASEPL due to the proposed cash pooling arrangement wherein these entities would be jointly servicing the combined debt obligations. The agreement is proposed to be unconditional, irrevocable and valid for the full tenor of the rated debt facilities. It will have a well-defined T-minus structured payment mechanism and shall be characterised by the presence of a cross-default clause in each of the three entities under the structure.

In a 'Combined Approach', CARE Ratings evaluates the group of entities as if it were a single entity and combines the financial and business risk profiles of these entities to take a view on the ratings. All the three entities are wholly owned subsidiaries of AEPL and are engaged in similar lines of business (renewable power generation). The list of entities getting consolidated with FSPL under the combined approach is attached as Annexure 6.

Outlook: Stable

CARE Ratings believes that the combined entity would continue to benefit on account of presence of long term PPAs for the portfolio under the structure. The operational performance of the assets is likely to remain in line with the existing trend which supports the outlook.

Detailed description of key rating drivers:

Key strengths

Proposed inter-company agreement for pooling of surplus cash flows

The three SPVs of Avaada Group have proposed to form a structure wherein these entities would be jointly and severally servicing the combined debt obligations. The shortfall in meeting the debt obligations by one entity, if any, shall be met through surplus cash flows from the other entities in the structure. The proposed agreement is unconditional, irrevocable, valid for the full tenor of the rated debt facilities, has a well-defined T-minus structured payment mechanism and is characterised by the presence of a cross-default clause in each of the three entities

Revenue visibility on account of presence of long term PPAs for the entire capacity

CARE Ratings factors in the revenue visibility on account of presence of long term PPAs for the entire capacity, which is split between central counterparty namely SECI, for 54% of the total capacity and remaining with BESCOM, which has relatively modest credit quality. CARE Ratings takes note of the presence of payment security mechanism in the form of LC extended for the capacity off-take from SECI and BG for the capacity off-take from BESCOM. Further, the cost competitiveness of the structure is superior as reflected by weighted average tariff of ₹3.2 per unit.

Geographically diversified asset pool

The assets in the combined entity are spread across Karnataka (46% of total capacity), Maharashtra (24%) and Rajasthan (30%), which reflects ample diversification of the assets in terms of geography.

Operational track record of around six years with generation performance in line with designed energy estimate, along with timely collection cycle

All the assets under the structure were commissioned between May 2018 and November 2019, resulting in a satisfactory weighted average track record of operations of ~6 years. Further, the pool has a satisfactory generation performance, as reflected from the weighted average FY24 PLF of 17.6% and 7MFY25 PLF of 17.0% as against the designed energy estimate of 17.1%. Additionally, the collection performance of the pool is satisfactory as the payments are being received within 75 days from invoicing, which is in line with the PPA terms.

Comfortable debt coverage indicators of the project

The entities, on a combined basis, have comfortable debt-protection metrics as reflected by combined average DSCR of ~1.30x for the tenure of the rated facility along with minimum DSCR of ~1.23x. Per the terms of sanction, the pool has to create ~1.5 quarters of DSRA (2 quarters for asset contracted with state counterparty i.e., BESCO and 1 quarter for assets contracted with central counterparty i.e., SECI) within thirty days from the date of disbursement.

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

All the three entities under the structure are wholly owned subsidiaries of AEPL, the flagship company of Avaada Group. The Avaada group is among the leading renewable energy developers in the country as reflected by its operating capacity of ~5 GWp, as on start of February 2025. The portfolio is distributed in several states and the capacity is contracted through long term PPAs with central offtakers, state off-takers and corporates.

Key weaknesses**Leveraged capital structure along with exposure to adverse variation in interest rates**

The capital structure of the combined entity is expected to be leveraged as reflected by projected Total External Debt/ EBITDA of ~5.7x as on FY25 end. Going forward, the capital structure is expected to remain leveraged with Total External Debt/EBITDA remaining above 5.0x till FY27. The prevailing debt in these entities is being refinanced through a term loan of ~₹1,018 crore (no top-up vis-a-vis the outstanding amount). CARE Ratings also factors in exposure of project cash flows to adverse variation in interest rates.

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.

Liquidity: Adequate

The liquidity position of the structure is adequate as reflected by a cumulative cash balance of ~₹317 crore including current DSRA (equivalent to three quarters debt servicing) of ₹113 crore as on January 10, 2025. However, CARE Ratings also notes that the pool would be upstreaming surplus funds post complying with the DSRA creation of ~1.5 quarter, as per the new financing terms. Going forward, CARE Ratings expects the generation performance of the assets under the structure to remain in line with the existing trend and the collection to remain timely, ensuring the internal accruals are adequate with respect to the overall debt obligations.

As per CARE Ratings base case scenario, overall GCA for the combined entity for FY26 and FY27 to be ~₹93-95 crore as against annual repayments of ~₹52-54 crore respectively.

Applicable criteria

[Assignment of Provisional Rating](#)

[Consolidation](#)

[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](#)

Validity of Provisional Rating:

Provisional rating shall be converted into a final rating after receipt of transaction documents duly executed/ completion of mentioned steps within 90 days from the instrument's date of issuance. An extension of 90 days may be granted on a case-to-case basis in line with CARE Ratings' Policy on Assignment of Provisional Ratings.

Risks associated with provisional nature of credit rating:

When a rating is assigned pending execution of certain critical documents or steps to be taken, it is a 'Provisional' rating indicated by prefixing 'Provisional' before the rating symbol. On execution of critical documents to the satisfaction of CARE Ratings, the final rating is assigned. In absence of documents/ completion of steps or where such documents deviate significantly from those considered, provisional rating will be reviewed in line with the Policy on Assignment of Provisional Ratings.

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

Fermi Solarfarms Private Limited (FSPL) is a wholly owned subsidiary of AEPL, incorporated for setting up 80 MW (AC)/ 108 MW (DC) Solar Power Project in Chalisgaon, Maharashtra, India. The 108 MWp project was commissioned in May 2018 and has an operational track record of more than 6.5 years. FSPL has signed the PPA with SECI for the entire capacity for 25 years at a fixed tariff of ₹4.43/unit.

Brief Financials: Combined

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1-FY25 (UA)
Total operating income	232.72	221.82	109.59
PBILDT	202.13	176.01	94.92
PAT	51.91	40.49	26.00
Overall gearing (times)	2.54	2.13	1.97
Interest coverage (times)	2.39	2.18	2.39

A: Audited UA: Unaudited; Note: these are latest available financial results

Brief Financials: Standalone (FSPL)

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1-FY25 (UA)
Total operating income	74.18	67.18	32.37
PBILDT	67.68	59.92	29.36
PAT	22.60	20.24	10.72
Overall gearing (times)	2.54	1.99	1.80
Interest coverage (times)	2.74	2.57	2.85

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Term Loan-Long Term		-	-	30-03-2040	323.14	Provisional CARE AA; Stable

Annexure-2: Rating history for 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	Term Loan-Long Term	LT	323.14	Provisional CARE AA; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Term Loan-Long Term	Simple

Annexure-6: List of entities consolidated with FSPL

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Clean Sustainable Energy Private Limited	Full	Operational and financial linkages
2	Avaada Solarise Energy Private Limited	Full	Operational and financial linkages

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

Contact us

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About us:

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Disclaimer:

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