Avaada Clean Energy Private Limited

June 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	18.34 (Reduced from 19.35)	CARE A+; Stable	Upgraded from CARE A; Stable

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 Avaada Clean Energy Private Limited (ACEPL) and Avaada Non-Conventional UPProject Private Limited (ANCUPPL), referred to as Avaada RG structure, owing to the presence of a co-obligor arrangement between these entities wherein the shortfall in meeting debt obligations by one entity shall be met through surplus cash flows from the other entity in the structure. The agreement is valid for full tenure of the rated debt facilities, has a well-defined structured payment mechanism and is characterised by presence of cross default clause between both the entities.

The rating upgrade on the bank facilities of the combined entity, which is operating a 55 MW (AC) solar power project and has a weighted average track record of more than four years, factors in improvement in generation performance as reflected by weighted average PLF of 22.6% in FY25, as against the P90 level of 22.0% and FY24 PLF of 21.9%. Furthermore, the collection cycle continues to remain satisfactory with average receivables remaining below 30 days.

The rating continues to derive strength from the long-term purchase power agreements (PPAs) with Ordnance Factory (a part of Ministry of Defence) for 5 MW (AC) capacity and Uttar Pradesh Power Corporation Limited (UPPCL) for 50 MW (AC) capacity at a weighted average tariff of Rs 3.32 per unit. Going forward, the coverage indicators of the combined entity is expected to remain comfortable as reflected by forward looking average debt service coverage ratio (DSCR) being upwards of 1.3x for the tenor of the term debt as per CARE Ratings Limited (CARE Ratings) base case scenario. This apart, the entire capacity has a weighted average tail life of more than six years, which offers additional comfort from a credit standpoint. The rating is further supported by the strong parentage for these entities by virtue of them being a part of the Avaada Group, which has a satisfactory track record of developing and operating renewable energy projects. The group has an operating capacity of ~5 GW as on April 2025 end.

The rating is however constrained on account of leveraged capital structure as reflected by Total Debt/ EBITDA of 5.6x as on FY25 end. Further, the rating is also constrained on account of exposure to UPPCL for 90% of the capacity having a modest credit profile. The rating also factors in exposure of project cash flows to adverse variations and interest rate fluctuation risk given the single part tariff of the project. CARE Ratings also notes that the interest rates for both the projects are scheduled for revision in July 2025, and therefore any increase in the interest rate shall remain a key monitorable, however, the rate would be fixed for the next 3 years.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Satisfactory operational performance primarily driven by improvement in YoY PLF resulting in improvement in coverage metrics as reflected average DSCR moving above 1.4 times
- Faster than expected deleveraging of the project

Negative factors

- Any significant underperformance in generation and/or any increase in the debt levels of the entity thereby weakening the cumulative DSCR on project debt to less than 1.25 times, on a sustained basis
- Non-adherence to the power purchase agreement (PPA) terms by the off-takers including timely receipt of payments and honouring of tariff for full PPA tenor

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

Analytical approach: Combined

CARE Ratings has applied combined approach for rating the bank facilities of ACEPL and ANCUPPL, owing to the presence of a co-obligor arrangement between these entities wherein the shortfall in meeting debt obligations by one entity shall be met through surplus cash flows from the other entity in the structure. The agreement is valid for full tenure of the rated debt facilities, has a well-defined structured payment mechanism and is characterised by presence of cross default clause between both the entities. Further, CARE Ratings takes into account the common lender and common promoter group for these projects.

In a 'Combined Approach', CARE Ratings evaluates the group of entities as if it were a single entity and combines the financials and business risk profiles of these entities to take a view on the ratings. Both the entities are subsidiaries of Avaada Energy Private Limited (AEPL) and are engaged in similar lines of business (power generation). The list of entities getting consolidated under the combined approach is attached as Annexure 6.

Outlook: Stable

The stable outlook on the rating of Avaada RG structure reflects CARE Ratings' opinion that the assets would benefit from its long-term PPAs. Also, the expectation of satisfactory generation and collection performance supports the outlook

Detailed description of key rating drivers:

Key strengths

Presence of a co-obligor agreement for debt servicing

The two SPVs (ACEPL and ANCUPPL) of Avaada group have entered into a co-obligor agreement wherein the surpluses available in one entity can be utilised for meeting shortfalls, if any, in the cash flows of the other entity. CARE Ratings also factors in the presence of a structured waterfall mechanism as per the TRA documents. The co-obligor agreement is valid for full tenure of the rated debt facilities, has a well-defined structured payment mechanism and is characterised by presence of cross default clause between both the entities. Further, as per the financing document, the parent (AEPL) is also defined as one of the obligors thereby resulting in strong linkages between the credit profile of the parent and these two entities.

Long term revenue visibility on account of presence of PPAs for the entire capacity

Both of the SPVs under the structure have long term PPAs of 25 years with weighted average tariff of Rs 3.32 per unit. ACEPL has a PPA with Ordnance Factory, Kanpur for offtake of 5 MW (AC) capacity at a fixed tariff of Rs. 4.18 per unit and ANCUPPL has a PPA with UPPCL for offtake of 50 MW (AC) capacity at a fixed tariff of Rs. 3.23 per unit.

Satisfactory operational track record with generation levels being better than the P-90 and FY24 levels, along with timely collection of payment from the offtakers

The 55 MW (AC) solar power capacity was commissioned between September 2018 and May 2021, and as a result the combined entity now has a weighted average operational track record of more than four years. The improvement in the generation performance is reflected by weighted average PLF of 22.6% in FY25, as against the P90 level of 22.0% and FY24 PLF of 21.9%. Furthermore, the collection cycle continues to remain satisfactory with average receivables remaining below 30 days. Going forward, CARE Ratings, expect the generation and collection performance to be in line with the past trends, which would remain a key monitorable from credit perspective.

Comfortable debt protection metrics

The debt coverage metrics of the combined entity remains comfortable with forward looking average DSCR being upwards of 1.3 times for the tenure of the term debt. This apart, the entire capacity has a weighted average tail life of more than six years, which offers additional comfort from a credit standpoint. Further, the DSRA covering more than one quarter of debt service obligations (on combined basis) provides comfort from the credit perspective.

Experienced and resourceful promoter group with proven track record in renewable energy business

The two 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 GW as on April 2025 end. The portfolio is distributed in several states and the capacity is contracted through long term PPAs with central offtakers, state offtakers and corporates.

Key weaknesses

Leveraged Capital Structure along with exposure to interest rate risk

The portfolio's capital structure is leveraged as reflected by Total Debt/EBITDA of 5.6x as of FY25 end. Going forward, Total Debt/EBITDA is expected to remain range bound between 5.2-5.4x over the next two years. Given the leveraged capital structure, single part nature of the fixed tariff in the PPA and floating interest rates, the company's profitability remain exposed to any increase in interest rates. CARE Ratings also notes that the interest rates for both the projects are scheduled for revision in July 2025, and therefore any increase in the interest rate shall remain a key monitorable, however, the rate would be fixed for the next 3 years.

Exposure to counterparty credit risk for majority of the capacity

The structure is exposed to counterparty credit risk as ~90% of the capacity under the structure is tied up with UPPCL having modest credit profile. Any significant delay in payments by the counterparty will stretch the company's receivable cycle and in turn adversely impact the overall liquidity profile. While the payments are being received in a timely manner at present, going forward, sustenance of current payment trend would remain critical from a credit perspective.

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

As of 21st May 2025, the combined entity has cash and bank balance aggregating to ~Rs. 16.4 crore, including ~Rs. 15 crore in liquid mutual funds. This apart, the combined entity is maintaining DSRA worth ~Rs 11.8 crore, which is equivalent to cover more than one quarter of debt service obligations (in line with the financing terms). Going forward, CARE Ratings expects the generation performance to remain in-line with the past trends and the collections to remain timely.

As per CARE Ratings' base case scenario, annual Adjusted Gross cash accruals (GCA) for FY26 and FY27 is expected to be ~Rs. 15 crore as against annual repayments of ~Rs. 10 crore.

Applicable criteria

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

ACEPL, incorporated in January, 2015 is a wholly owned subsidiary of AEPL. The company is operating a solar power plant of 5 MW (AC) / 7 MW (DC) capacity in the state of Uttar Pradesh. The company has a long-term PPA (25 years) with Ordnance Factory, Kanpur at a fixed tariff of Rs. 4.18 per unit. The project got commissioned in September 2018 and now have an operational track record of more than 6.5 years.

Brief Financials: ACEPL (Standalone)

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	4.15	4.08	3.76
PBILDT	3.11	3.30	2.95
PAT	0.04	0.38	0.31
Overall gearing (times)	3.18	2.92	2.67
Interest coverage (times)	1.55	1.74	1.65

A: Audited; UA: Unaudited; Note: 'the above results are latest financial results available'

Brief Financials: ACEPL and ANCUPPL (Combined)

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	33.89	34.44	35.00
PBILDT	29.49	30.39	30.67
PAT	1.75	4.55	4.93
Overall gearing (times)	2.64	2.42	2.17
Interest coverage (times)	1.65	1.85	1.94

A: Audited; UA: Unaudited; 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: 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
Fund-based - LT-Term Loan		-	-	15/09/2039	18.34	CARE A+; 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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	18.34	CARE A+; Stable	-	1)CARE A; Stable (05-Jun-24)	1)CARE A; Stable (08-Jun-23)	1)CARE A-; Stable (06-Oct-22)

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	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Avaada Clean Energy Private Limited	Full	Operational and financial linkages
2	Avaada Non-Conventional UPProject Private Limited	Full	Operational and financial linkages

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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