

## Avaada Ventures Private Limited

July 27, 2021

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	200.00	<b>CARE A-; Positive / CARE A2+ (Single A Minus; Outlook: Positive/ A Two Plus)</b>	<b>Reaffirmed; Outlook revised from Stable</b>
<b>Total Bank Facilities</b>	<b>200.00 (Rs. Two Hundred Crore Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings and revision in the outlook assigned to the bank facilities of Avaada Ventures Private Limited (AVPL) considers timely completion of equity raising during July 2021 in Avaada Energy Private Limited (AEPL; wholly owned subsidiary of AVPL) as growth capital which covers equity commitment of all the under-construction projects of Avaada Group. The rating continues to derive strength from its experienced and resourceful promoters, proven track record in renewable energy business and availability of land bank for under-construction solar power projects. The ratings also factor in revenue visibility in the near term on account of EPC orders of SPV's for under implementation projects and adequate liquidity profile.

The ratings are, however, constrained by short track record of operational projects, project risks with under construction projects forming around 62% (2,509 MW- DC) of the total portfolio and deviation in the actual execution of projects under construction (on account of deferment) and subsequent financial performance as compared to envisaged. The basic customs duty (BCD) structure on import of solar cells and modules would be applicable from April 1, 2022, and hence timely completion of the projects which have scheduled COD up to March 31, 2022, would be critical. Any delay in completion of these projects may result in higher than envisaged cost and lower the project returns. The ratings are further tempered by high exposure to SPVs, counterparty credit risk for incremental capacity in pipeline for implementation which has been tied up with off-takers with overall weak credit profile, as well as highly competitive intensity in the industry.

### Rating Sensitivities

#### Positive factors:

- Successful achievement of envisaged operational assets size with timely commissioning of under construction projects leading to improvement in operating cash flows of the company at consolidated levels.

#### Negative factors:

- Significant delays in execution of various under implementation projects leading to any material adverse impact on financials of the company
- Deterioration in Combined Debt/Combined EBIDTA exceeding above 6x for consecutive two years
- Delay in receipt of payments from power off-takers by more than 3 months

### Outlook: Positive

The outlook is revised from 'Stable' to 'Positive' as the equity infusion is expected to provide AEPL the capital support necessary to achieve envisaged operational capacity for the near to medium term. The outlook may be revised to 'Stable' in case of significantly largely than envisaged exposure to weaker counterparties in the incremental build-up of portfolio.

### Detailed description of the key rating drivers

#### **Successful equity infusion eliminating equity commitment risk**

AEPL has been successful in raising equity funds in July 2021 from the step-down subsidiary of PTT Public Company Limited (Thailand-based state-owned fully integrated oil and gas entity), viz. Global Renewable Synergy Company Limited (GRSC). GRSC has invested around Rs.3,375 crore for 41.62% stake in AEPL, part of which was utilized to retire entire investment of existing private equity investors. This infusion adequately covers Avaada group's equity commitments towards subsidiaries for its under-construction projects to meet its project costs and provides necessary capital support to achieve envisaged operational capacity for near to medium term.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Key Rating Strengths*****Experienced and resourceful promoter with proven track record in renewable energy business***

Avaada group is owned and managed by Mr. Vineet Mittal, who is an experienced entrepreneur. Under Mr. Vineet Mittal, Welspun Energy Private Limited (WEPL) became a significant player in the renewable energy industry. Within a short span of 5 years, Mr. Mittal built a renewable energy portfolio of 1,141 MW in WEPL and monetized the same by selling it for Rs.9,249 crore. Mr Vineet Mittal is on the board of infrastructure steering committee of the World Economic Forum, B20 Green Growth Action Alliance and Clean Energy Finance Forum, as well as industry advisor to multiple Indian government bodies.

***EPC order book to provide medium term visibility***

Apart from developing solar power projects, AEPL also undertakes EPC work for group company projects. As of July, 2021, the company has total order book of over 2,509 MW to be executed over the next 1-2 years providing revenue visibility in the near to medium term. AVPL also plans to undertake third party EPC contracts, however, the company has no definitive agreements for the same as on date.

***Pan India land bank***

The land requirement for a typical solar project is ~3.54 acres per MW. The company has acquired rights to land possession to the tune of about 6,386 acres (~75%) out of total 7749 acres target of ongoing projects pan-India as on date. The availability of land bank gives significant competitive advantage to the group.

**Key Rating Weaknesses*****Limited track record of the operational projects and project risk***

Operational projects under Avaada group have a limited operational track record. The group through its subsidiaries has a total portfolio of 4,016 MW (DC) of which 1,507 MW (DC) is operational with track record of less than 2 years and the balance is under various stages of development. Further, the company has slowed down the commissioning of some projects mainly on account of imposition of safe guard duty on solar modules for two years and accordingly projects were planned for commissioning post July 2020 which were further delayed due to COVID led supply disruptions. The same shall be speeded up post July 2021 when safe guard duty of 14.5% on solar cells and modules expires. The ability of the company to successfully execute projects without any delay or major cost overruns remains a key rating monitorable.

***High exposure to SPVs/group companies***

The Company's revenues are derived by undertaking EPC contracts for setting up group's power projects, which is contingent to the company winning them under competitive bidding. The company has high dependency on SPV contracts as on date.

***Counterparty credit risk***

The company is exposed to counterparty credit risk with respect to realisations of receivables from off-takers going forward, which may impact its ability to meet its debt obligations. Around 30% of the capacity is tied up with SECI while balance capacity is tied up with state utilities and private parties. Although payment security mechanism is in place, however payment track record from these off-takers remains key rating monitorable

***Fixed time and price contracts***

AEPL enters into EPC contracts with special purpose vehicles (SPVs) wherein the price, timelines and performance parameters are fixed, failing which AEPL is liable to pay damages. The above conditions expose the company to project implementation risk, in case of any delays in execution and increase in input costs. The company enters into back to back orders for procuring materials from the suppliers thereby mitigating the risk to a certain extent.

***Increased level of competitive intensity in the industry***

Due to technological advancements relatively faster execution of solar energy projects compared with conventional sources is envisaged. Factors such as cheaper cost of raw materials and borrowings, government's impetus to solar power, renewable purchase obligation targets, renewable energy certificates, etc. have increased the number of players and given rise to intense competition in this industry.

**Liquidity: Adequate**

As on January 4, 2021, the company has liquid investments in the form of mutual funds and fixed deposits to the tune of Rs.403.76 crores (excluding BG margin and funds to be used for retirement of Buyer's credit). The average utilization for the non-fund limits stood at 83% during past 12 months ending December 2020.

Liquidity position has remained adequate due to financial support from promoters/PE infusion in the past and availability of sufficient cushion to cover debt repayment obligations within next 1 year.

**Analytical approach:** Consolidated including Avaada Ventures Pvt Ltd, Avaada Energy Pvt Ltd. along with SPVs on account of operational and financial linkages. List of entities getting consolidated is as per Annexure – 3.

#### Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

[Rating Methodology: Solar Power Projects](#)

[Rating Methodology - Infrastructure Sector Ratings \(ISR\)](#)

[Financial ratios - Non-Financial sector](#)

#### About the Company

Avaada Ventures Private Limited (AVPL) (erstwhile Candor Power Private Limited) is promoted by Vineet Mittal [former co-founder of Welspun Energy Pvt. Ltd. (WEPL)]. AVPL is the holding company of Avaada Energy Private Limited (AEPL) and Clean Sustainable Energy Pvt. Ltd. The promoters of WEPL (Mr. Goenka and Mr. Mittal) sold WEPL's subsidiary, Welspun Renewable Energy Private Limited (WREPL) to Tata Power Renewable Energy Ltd. (TPREL) for Rs.9,249 crore in September 2016. Post the sale of WREPL, the EPC business of WEPL was demerged to AEPL. Until FY19, AVPL executed EPC projects for the renewable power projects won by its SPVs. However, now the company will focus entirely on third party projects while in-house projects will be undertaken by AEPL. In July 2021, the company through its subsidiaries has a total portfolio of 4,016 MW (DC) of which around 1507 MW (DC) is operation and the balance is under various stages of development.

Brief Financials (Rs. crore) (Consolidated)	FY19 (A)	FY20 (A)
Total operating income	269.48	451.06
PBILDT	194.45	379.75
PAT	3.33	-28.96
Overall gearing (times) considering CCD as quasi equity	2.05	2.16
Interest coverage (times)	1.40	1.38

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Complexity level of various instruments rated for this company:** Annexure 4

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based-LT/ST	-	-	-	200.00	CARE A-; Positive / CARE A2+

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	1)CARE A-; Stable (19-Mar-21) 2)Withdrawn (19-Mar-21)	1)CARE A-; Negative (20-Dec-19)	1)CARE A-; Stable (27-Mar-19) 2)CARE A-; Stable (18-Oct-18) 3)CARE A-; Stable (10-Apr-18)
2.	Non-fund-based-LT/ST	LT/ST	200.00	CARE A-; Positive / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (19-Mar-21)	1)CARE A-; Negative / CARE A2+ (20-Dec-19)	1)CARE A-; Stable / CARE A2+ (27-Mar-19) 2)CARE A-; Stable / CARE A2+ (18-Oct-18) 3)CARE A-; Stable / CARE A2+ (10-Apr-18)
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)Withdrawn (19-Mar-21)	1)CARE A-; Negative / CARE A2+ (20-Dec-19)	1)CARE A-; Stable / CARE A2+ (27-Mar-19) 2)CARE A-; Stable / CARE A2+ (18-Oct-18) 3)CARE A-; Stable / CARE A2+ (10-Apr-18)

## Annexure-3: List of subsidiaries, associates and joint ventures of Avaada Ventures Private Limited getting consolidated (list as on March 31, 2020)

Name of Subsidiary	% of voting power held in March 2020
Avaada Semiconductors Pvt Ltd	100%
Avaada Technologies Pvt Ltd	100%
Avaada Infra Pvt Ltd	100%
Avaada Renewable Pvt Ltd	100%
Avaada Foundation	100%
Avaada Energy Pvt Ltd	100%
Fermi solar farms Pvt Ltd	100%
Avaada Sustainable Energy Pvt Ltd	100%
Solarsys Non-conventional Energy Pvt Ltd	100%
Clean Sustainable Energy Pvt Ltd	100%
Avaada Non-Conventional Energy Pvt Ltd	100%
Avaada Solar Energy Pvt Ltd	100%
Avaada Green Sustainable Energy Pvt Ltd	100%
Avaada Clean Energy Pvt Ltd	100%
Avaada Sunce Energy Pvt Ltd	100%
Avaada Clean Sustainable Energy Pvt Ltd	100%
Viraj Solar Maharashtra Pvt Ltd	100%
Avaada Green HNProject Pvt Ltd	100%
Avaada Solarise Energy Pvt Ltd	100%
Avaada Non-Conventional UP Project Pvt Ltd	100%
Avaada Clean Project Pvt Ltd	100%
Avaada Sunbeam Energy Pvt Ltd	100%
Avaada Sunrise Energy Pvt Ltd	100%
Avaada Clean TN Project Pvt Ltd	100%
Avaada MH Buldhana Pvt Ltd	100%
Avaada MHKhamgaon Pvt Ltd	100%
Avaada Sustainable RJProject Pvt Ltd	100%
Avaada HN Adampur Pvt Ltd	100%
Avaada Satara MH Pvt Ltd	100%
Avaada HN Sirsa Pvt Ltd	100%

Name of Subsidiary	% of voting power held in March 2020
Avaada Solar Project Pvt Ltd	100%
Avaada Floating Solar MH Pvt Ltd	100%
Avaada Solar HNProject Pvt Ltd	100%
Avaada Solar UPKharpar Pvt Ltd	100%
Avaada Clear RJProject Pvt Ltd	100%
Avaada Grean MP Project Pvt Ltd	100%
Avaada Solar UP Jamini Pvt Ltd	100%
Avaada Green RJProject Pvt Ltd	100%
Avaada Green AP Project Pvt Ltd	100%
Pahuj Energy Pvt Ltd	100%
Avaada Sustainable Solar Energy Pvt Ltd	100%
Avaada Green KN Project Pvt Ltd	100%
Avaada Clean KN Project Pvt Ltd	100%
Gobindsagar Energy Pvt Ltd	100%
Lachura Solar Pvt Ltd	100%
Matatila Energy Pvt Ltd	100%
Rohilik Energy Pvt Ltd	100%
Avaada Sunrays Energy Pvt Ltd	100%
Avaada RJHN Pvt Ltd	100%
Avaada UP Project Pvt Ltd	100%
Avaada MH Sustainable Pvt Ltd	100%
Avaada Bankabihar Pvt Ltd	100%
Welspun Green Energy Pvt Ltd	100%
Avaada Energy Singapore Pvt Ltd	100%
Avaada Energy Mauritius Pvt Ltd	100%
Grenoble Infrastructure Pvt Ltd	100%

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Non-fund-based-LT/ST	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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