

Avaada Power Private Limited

February 16, 2018

Ratings

Facility	Amount (Rs. crore)	Rating	Rating Action
Long-term/Short-term-Bank Facilities - Fund Based/Non-Fund Based	125.00	CARE BBB+; Stable/A2 (Triple B Plus; Outlook: Stable/A Two)	Assigned
Long-term/Short-term Bank Facilities – Non-fund Based	200.00	CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/A Two)	Reaffirmed
Long-term Bank Facilities – Non-fund Based	193.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Total	518.00 (Rs. Five hundred and eighteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facility of Avaada Power Pvt. Ltd. (APPL) derives comfort from experienced and resourceful promoters and proven track record of the promoters. The ratings are also supported by the government led reforms to encourage the investments in the renewable energy sector.

The ratings are however tempered by exposure to risks related to project implementation, dependency on group companies for orders and sector concentration risk.

Going forward, completion of project within stipulated timelines and budget, increase in the scale of operations, improvement in profitability and reduced dependency on group companies will remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Resourceful Promoter: APPL is owned and managed by Mr. Vineet Mittal, who is an alumnus of Harvard Business School and 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 3 years, Mr. Mittal had built a renewable energy portfolio of 1,141 MW in WEPL and monetized the same by selling it for Rs. 9,249 crore.

He is also an empanelled member of Ministry of New & Renewable Energy's advisory committee. The promoter group is resourceful and has progressively infused substantial equity in the company to fund the on-going projects.

Strong track record of the promoters: Mr. Mittal through Welspun Renewable Energy Private Limited (WREPL), had executed projects with capacity of 1141 MW within a short span of five years without any delays or cost escalation. These projects have long-term PPAs in place.

EPC Order Book Details: Apart from developing solar power projects, APPL also undertakes EPC work for subsidiaries/group companies. As of Dec 31, 2017, the company has an outstanding order book of over Rs. 787 crore to be executed over the next six months providing revenue visibility in the near term.

Key Rating Weaknesses

Limited track record of the entity: APPL has no track record in the renewable energy segment. With WREPL's operational projects now sold off, the company is starting afresh. Of the 435MW, the company currently has 335MW of solar projects under construction (including the 100MW whose transfer of PPA is under hearing with CERC) and 100MW under planning stage.

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 SPV winning them thereby exposing the company to uncertainties in revenue visibility.

Equity Commitments in SPVs: APPL has to commit equity in the subsidiaries once the project is won thereby exposing the company to equity commitment risks.

Post the sale of WREPL, the promoter and promoter group companies had received funds which will be utilised in funding the ongoing solar projects and thereby the commitment risk is mitigated to that extent. Going ahead, the company is also looking to tie up with PE investors and divest partial stake in its renewable projects and improve the capital structure.

Fixed time and price contracts: APPL enters into EPC contracts wherein the price, timelines and performance parameters are fixed, failing which it 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 contract for procuring materials from the suppliers thereby mitigating the risk to a certain extent.

Project Execution Risk: All of APPL's projects are at different stages of development and are yet to be commissioned. The ongoing projects and increase in scale of operations would entail execution risk.

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. Cheaper cost of raw materials and borrowings, government impetus to solar power, renewable purchase obligation targets, renewable energy certificates, etc. has increased the number of players in this industry.

Analytical approach: Combined

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

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

About the Company

Avaada Power Private Limited (APPL) (erstwhile Candor Power Private Limited) is a Vineet Mittal [former co-founder of Welspun Energy Pvt. Ltd. (WEPL)] group entity. APPL is the holding company of Giriraj Renewables Private Limited (GRPL) 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 GRPL.

APPL undertakes the following businesses: i) EPC contractor for in-house projects, ii) Holding company for SPVs developing solar and wind projects.

Currently, the company is setting up and executing EPC work for 435MW (100MW under planning stage) solar power projects.

(Rs. crore)

Brief Financials	FY17 (UA)
Total operating income	1,382.64
PBILDT	323.23
PAT	270.52
Overall Gearing (times)	0.07
Interest Coverage (times)	25.10

UA: Unaudited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Pulkit Agarwal

Tel: 022 6754 3505

Mobile: 98190 74189

Email: pulkit.agarwal@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Bank Guarantees	-	-	Dec 2022	193.00	CARE BBB+; Stable
Non-fund-based-LT/ST	-	-	-	200.00	CARE BBB+; Stable / CARE A2
Fund-based/Non-fund-based-LT/ST	-	-	-	125.00	CARE BBB+; Stable / 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - LT-Bank Guarantees	LT	193.00	CARE BBB+; Stable	1)CARE BBB+; Stable (16-May-17)	-	-	-
2.	Non-fund-based-LT/ST	LT/ST	200.00	CARE BBB+; Stable / CARE A2	1)CARE BBB+; Stable / CARE A2 (16-May-17)	-	-	-
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	125.00	CARE BBB+; Stable / CARE A2	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com