

Avaada Power Private Limited

April 10, 2018

Ratings

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

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facility of Avaada Power Pvt. Ltd. (APPL) factors in commissioning of 230MW of solar power capacity, possible equity infusion by a strategic/financial partner and availability of land bank for undertaking future solar power projects.

The rating continues to derive 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 EPC business 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 5 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.

Land bank of 3000 acres: The land requirement for a typical solar project is ~3.25 acres per MW. For all the projects under implementation, the company already has the land in place. In addition, the promoters have a land bank in excess of 3000 acres spread across various states. The availability of land bank gives significant competitive advantage to the group.

Key Rating Weaknesses

Limited track record of the entity: APPL has limited track record in the renewable energy segment. With WREPL's operational projects now sold off, the company is starting afresh. Of the 435MW under implementation, the company has commissioned 230 MW of capacity in March 2018. The ability of the commissioned projects to generate adequate CUF and realisation of receivables within the envisage timelines remains to be seen.

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 with Giriraj Renewables Pvt. Ltd. on account of strong operational and financial linkage and common management.

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.

(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.

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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	-	-	-	193.00	CARE A-; Stable
Non-fund-based-LT/ST	-	-	-	200.00	CARE A-; Stable / CARE A2+
Fund-based/Non-fund-based-LT/ST	-	-	-	125.00	CARE A-; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-fund-based - LT-Bank Guarantees	LT	193.00	CARE A-; Stable	-	1)CARE BBB+; Stable (16-Feb-18) 2)CARE BBB+; Stable (16-May-17)	-	-
2.	Non-fund-based-LT/ST	LT/ST	200.00	CARE A-; Stable / CARE A2+	-	1)CARE BBB+; Stable / CARE A2 (16-Feb-18) 2)CARE BBB+; Stable / CARE A2 (16-May-17)	-	-
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	125.00	CARE A-; Stable / CARE A2+	-	1)CARE BBB+; Stable / CARE A2 (16-Feb-18)	-	-

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