

September 05, 2024

## Ayana Renewable Power Private Limited: Ratings reaffirmed

### Summary of rating action

| Instrument*   | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action                             |
|---|--------------------------------------|-------------------------------------|---|
| Long term/Short term –Non-fund based limits*        | 1010.00                              | 1600.00                             | [ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed |
| Short term–Fund / Non-fund based limits             | 210.00                               | 210.00                              | [ICRA]A1+; reaffirmed                     |
| Short term–Fund based limits                        | 12.00                                | 12.00                               | [ICRA]A1+; reaffirmed                     |
| Long term / short term- Unallocated limits          | 48.00                                | 178.00                              | [ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed |
| Long term/Short term - Fund / Non-fund based limits | 200.00                               | 0.00                                | -   |
| Long term –Non-fund based limits                    | 190.00                               | 0.00                                | -   |
| Short term –Non-fund based limits                   | 180.00                               | 0.00                                | -   |
| Short term loan                                     | 150.00                               | 0.00                                | -   |
| <b>Total</b>  | <b>2000.0</b>                        | <b>2000.0</b>                       |   |

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of the ratings for Ayana Renewable Power Private Limited (ARPPPL) factors in the superior financial flexibility offered by its strong sponsors. The sponsors, National Investment and Infrastructure Fund Limited (NIIF), British International Investment (BII; erstwhile CDC Group Plc) and EverSource Capital, through its fund Green Growth Equity Fund (GGEF) have made a capital commitment of \$721 million in the company. ICRA notes that NIIF holds 51% in ARPPPL, with significant equity commitment from its master fund. As of July 2024, the shareholders have infused ~Rs. 3,700 crore in the platform. The pending committed equity capital along with cash surpluses from existing projects and debt being availed at ARPPPL level would enable the platform to expand its portfolio to 4.6 GW<sup>1</sup>. ICRA also notes that the company is actively looking for raising additional capital to fund its growth beyond the 4.6-GW capacity.

The Group's operating renewable power portfolio stood at 1.59 GW as of July 2024, which increased from 1.29 GW as of July 2023. The Group has another ~3 GW under development, comprising solar, wind, hybrid & round the clock (RTC) renewable assets with firm power purchase agreements (PPAs). Of this, the Group expects to commission a 300-MW solar power asset and 140-MW wind power asset in FY2025 and the balance through FY2026 and FY2027, subject to the timely construction of the assets.

The ratings continue to favourably factor in the long-term PPAs at fixed tariffs for the entire capacity and the superior tariff competitiveness for the ultimate offtaker utilities for most of the projects, leading to low offtake risks for the special purpose vehicles (SPVs) of ARPPPL.

The ratings also factor in the low counterparty credit risk profile as Central counterparties, i.e., NTPC Limited, Solar Energy Corporation of India Limited (SECI) and Indian Railways along with strong counterparties such as Gujarat Urja Vikas Nigam Limited and an industrial customer, account for ~85% of the overall portfolio of ARPPPL, and the strengths that stem from the

<sup>1</sup> Including operating, under-construction and capacity oversizing for the 400 MW round the clock (RTC) renewable projects. Throughout the rationale, the capacities include the oversized AC capacity for 400 MW RTC projects. It also includes 500 MW capacity to be setup in Joint Venture (JV) with IRCON International Limited (IRCON)

relatively superior PPAs with NTPC and SECI. The ratings further take comfort from the satisfactory generation track record of the operating assets with majority of them performing in line with or close to the P-90 level. Nonetheless, the ability of the operational as well as the to-be-commissioned assets to demonstrate a generation performance in line or above the appraised estimate on a sustained basis, remains a key monitorable.

The ratings are, however, constrained by the exposure to execution risks, given that the Group has considerable project capacity under implementation. The company's ability to secure the required approvals/land and commission the projects as per the applicable timelines and budgeted cost remains a key monitorable from a credit perspective. Also, the company is exposed to the movements in solar module prices and foreign exchange rates, though the latter is largely mitigated due to the hedging policy of the Group. The pending capital expenditure (capex) for the under-construction portfolio under various SPVs is ~Rs. 13,500 crore which is expected to be funded through 75% - 80% debt under respective SPVs and the remaining through equity infusion from the holding company.

ICRA notes that ARPPL plans to raise up to Rs. 2,000-crore debt over the next two years in the form of revolving line of credit on its books to part fund the project SPVs' equity requirements. While this would increase the consolidated leverage level of ARPPL and moderate the debt coverage metrics, comfort is drawn from the growing asset base and satisfactory generation performance of the portfolio. This is expected to lead to surplus cash generation at the SPV level, which can be up streamed to ARPPL post approval of the lenders at the SPV level and subject to meeting the financial covenants. Any further increase in the leveraging on the books of the holding company to fund the project SPVs' requirements will remain a key rating sensitivity for the company.

The ratings also consider the counterparty credit risk for certain projects that are exposed to the state distribution utilities (discoms) of Karnataka, Maharashtra, and Tamil Nadu, given their modest financial position. Nonetheless, the collection cycle has improved after the implementation of the Late Payment Surcharge (LPS) scheme and comfort can be drawn from the limited exposure (15% of ARPPL's portfolio) to these state discoms. Given the single-part fixed tariff in the PPAs and the variability of solar and wind generation, the operations of ARPPL's SPVs and in turn, their cash flows, remain sensitive to the variation in solar irradiation, wind availability and weather conditions.

The debt coverage metrics of the company's SPVs remain exposed to interest rate risk, given the single-part fixed PPA tariff and the leveraged capital structure. The ratings further factor in the risks pertaining to the applicability of the scheduling and forecasting framework for renewable energy projects.

The Stable outlook on ARPPL's rating reflects ICRA's opinion that the company will be able to scale-up its operating portfolio by commissioning the under-construction projects within the scheduled timelines, supported by the funding commitment from the sponsors, the execution track record demonstrated so far and the long-term PPAs with strong counterparties.

## Key rating drivers and their description

### Credit strengths

**Healthy financial flexibility due to strong sponsors** – The Ayana Group is backed by NIIF (51%), BII (32%) and GGEF (17%). NIIF is anchored by the Government of India (GoI) in collaboration with leading global and domestic institutional investors and is India's first sovereign investment fund. The full ownership of the BII belongs to the Secretary of State for International Development, which is controlled by the UK Government. EverSource Capital, a joint venture between Everstone Capital and Lightsource BP, is the fund manager of GGEF, a target private fund, which has NIIF and the UK Government as anchor investors. All the three shareholders have committed a capital of \$721 million. ICRA notes that NIIF holds 51% in ARPPL, with significant equity commitment from its master fund. As of July 2024, the shareholders have infused ~Rs. 3,700 crore in the platform. The pending committed equity capital along with cash surpluses from existing projects and debt being availed at ARPPL level would enable the platform to scale-up the operating portfolio over the next two years.

**Low offtake risks supported by long-term PPAs and superior tariff competitiveness for ultimate offtakers** - Long-term PPAs at fixed rates with a tenure of 25 years have been signed for the entire capacity. This provides visibility to the revenues and mitigates demand and tariff risks. The weighted average tariff of the portfolio is cost competitive for the ultimate offtakers at Rs. 2.83/unit, remaining well below the average power purchase cost of the discoms, which remains above Rs. 4.5 per unit across the states.

**Low counter party credit risk with majority of the exposure to strong Central counterparties** – The counterparty credit risk for the company is low as NTPC and SECI are the offtakers for ~42% of the Group’s capacity. Both these entities have strong credit profiles as reflected in their credit ratings ([ICRA]AAA (Stable) / [ICRA]A1+). NTPC and SECI are on the list of Central public sector undertakings (CPSUs), wherein the receivables are secured through tripartite agreements (TPA) among the GoI, the state governments and the Reserve Bank of India. NTPC and SECI are intermediaries and have signed power supply agreements (PSA) with the state-owned distribution utilities as the ultimate offtakers. Within the balance portfolio of ~58%, about ~33% is tied up with the Indian Railways, ~3% with Gujarat discoms and ~7% is with industrial customer, wherein the payments are expected to be timely.

**Satisfactory operational track record of operating assets** – The assets acquired from the First Solar Group (40 MW), Renew Group (300 MW), ACME Group (250 MW), Phelan Group (50 MW) and Rays Power Group (100 MW) have a track record of more than three years. Further, two assets equivalent to 550 MW have been commissioned by ARPPL and have an operating track record of two to three years and one asset equivalent to 300 MW has a track record of less than a year. The generation performance of the assets remains largely satisfactory, with the weighted average PLF remaining close to the appraised estimate in FY2024 and in line with FY2023. Going forward, the company’s ability to improve and sustain the generation performance of the assets remains a key monitorable.

## Credit challenges

**Execution risks arising from ~3 GW of under-development assets** – The projects under ARPPL remain exposed to project execution risks as ~3 GW capacity is under development. The company’s ability to secure the required approvals/land and commission the projects as per the applicable timelines and budgeted cost remains critical. Timely achievement of financial closure for the under-construction capacity and availability of long-tenure debt at cost competitive rates is also important. Further, the company is exposed to the movements in solar module prices and foreign exchange rates, though the latter is mitigated to a large extent due to the hedging policy of the Group.

**Exposure to interest rate risk, PLF variation and leveraging levels** – The debt metrics for solar & wind power projects remain sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or module/WTG performance may impact the PLF and consequently the cash flows. ARPPL’s ability to ensure satisfactory operational performance in line with the expected PLF level post the commissioning of the projects remains important from a credit perspective. Moreover, given the single-part tariff for the entire project duration and the leveraged capital structure for the projects under the SPVs, the company’s consolidated cash flows and debt metrics remain exposed to interest rate risk. Additionally, any higher-than-expected increase in leveraging on the books of the holding company to fund the project SPVs’ requirements will remain a key rating sensitivity.

**Counterparty credit risks due to exposure to state discoms** – ARPPL’s portfolio remains exposed to counterparty credit risks arising from the exposure to the state distribution utilities (discoms) of Karnataka, Maharashtra and Tamil Nadu and their modest financial position. While the payments from the Maharashtra discoms have been on time so far, payments from some of the discoms in Karnataka and Tamil Nadu were delayed in the past. Nonetheless, the collection cycle has improved after the implementation of the LPS scheme and comfort can be drawn from the limited exposure to these state discoms within ARPPL’s portfolio (~15%).

**Regulatory risk of implementing scheduling and forecasting framework for renewable sector** – The Group’s operations remain exposed to regulatory risks pertaining to the scheduling and forecasting requirements applicable for renewable energy

projects, given the intermittent nature of generation and the limited experience of the developers in forecasting in Indian conditions.

### Liquidity position: Adequate

The company’s liquidity position is adequate, with the pending equity commitment from the sponsors, cash surplus generated by operating portfolio and debt availed at ARPPL’s level expected to remain sufficient to fund the equity for the ongoing projects. The company is expected to upstream the surplus cash flows from its operating subsidiaries after meeting the respective lender covenants as seen in the past, given their satisfactory performance. At standalone level, the company had cash and bank balances of ~Rs. 244 crore (including ~Rs 80 crore of lien marked fixed deposits) as on July 31, 2024. Further, at the consolidated level, the company had cash balance of ~Rs. 670 crore including DSRA as on March 31, 2024. Rating sensitivities.

### Rating Sensitivities

**Positive factors** – The ratings can be upgraded based on the progress in commissioning the under-construction projects without any major time and cost overruns. Further, a generation performance in line with the appraised PLF level, post commissioning, leading to improved debt coverage metrics, will support an upgrade.

**Negative factors** – The ratings could be downgraded in case of any major time/cost overruns in project execution, and/or major regulatory challenges, higher-than-expected increase in the leveraging on the books of the holding company to fund the project SPVs’ requirements and delay in the infusion of capital/adverse change in capital commitments by the sponsors in the Ayana platform. Further, material under-performance in the generation of the operating assets adversely affecting the debt service coverage metrics or delays in receiving payments from the offtakers impacting the Group’s liquidity profile could warrant a downgrade.

### Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Power - Solar</a><br><a href="#">Power - Wind</a>           |
| Parent/Group support            | ICRA favourably factors in the superior financial flexibility enjoyed by ARPPL by virtue of being backed by NIIF, CDC and GGEF |
| Consolidation/Standalone        | The ratings are based on the consolidated financial statements of ARPPL and its subsidiaries [Details in Annexure II]          |

*Note (for analyst reference only):*

### About the company

Ayana Renewable Power Private Limited (ARPPL) is a renewable energy-focused player which aims to build a multi-GW portfolio in India. ARPPL was previously fully backed by BII (erstwhile CDC Group Plc) (100% owned), a development finance institution owned by the UK Government. However, in early 2019, CDC divested its 51% stake in ARPPL and the same has been acquired equally by the NIIF and EverSource Capital through its fund GGEF. In March 2021, NIIF increased its stake in the platform to 32%, which further increased to 51% in November 2021, committing to be a majority shareholder.

### Key financial indicators (audited)

| ARPPPL Consolidated                                  | FY2022 | FY2023 | FY2024 |
|--|--------|--------|--------|
| Operating income                                     | 489.2  | 822.8  | 856.4  |
| PAT  | -54.1  | 77.8   | 45.6   |
| OPBDIT/OI  | 70.0%  | 78.7%  | 77.2%  |
| PAT/OI   | -11.0% | 9.3%   | 5.3%   |
| Total outside liabilities/Tangible net worth (times) | 2.77   | 2.40   | 2.35   |
| Total debt/OPBDIT (times)                            | 14.43  | 7.95   | 10.42  |
| Interest coverage (times)                            | 1.43   | 1.64   | 1.58   |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

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

**Any other information: None**

### Rating history for past three years

| Instrument                             | Current (FY2025) |                         |              | Chronology of rating history for the past 3 years |           |             |           |             |           |
|--|------------------|-------------------------|--------------|---|-----------|-------------|-----------|-------------|-----------|
|  | FY2025           |                         |              | FY2024  |           | FY2023      |           | FY2022      |           |
|  | Type             | Amount Rated (Rs Crore) | Sep 05, 2024 | Date  | Rating    | Date        | Rating    | Date        | Rating    |
| Short term -non fund based             | Short Term       | 0.00                    | -            | 14-Jul-2023                                       | [ICRA]A1+ | 17-May-2022 | [ICRA]A1+ | 07-APR-2021 | [ICRA]A1+ |
|  | -                | -                       | -            | -   | -         | -           | -         | 15-JUN-2021 | [ICRA]A1+ |
| Short term-term loan-fund based        | Short Term       | 0.00                    | -            | 14-Jul-2023                                       | [ICRA]A1+ | 17-May-2022 | [ICRA]A1+ | -           | -         |
| Short term - fund based                | Short Term       | 12.00                   | [ICRA]A1+    | 14-Jul-2023                                       | [ICRA]A1+ | 17-May-2022 | [ICRA]A1+ | -           | -         |
| Short term - fund based/non fund based | Short Term       | 210.00                  | [ICRA]A1+    | 14-Jul-2023                                       | [ICRA]A1+ | 17-May-2022 | [ICRA]A1+ | -           | -         |

|  |                      |         |                              |             |                              |             |                              |             |                     |
|--|----------------------|---------|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|---------------------|
| Long term / short term-unallocated               | Long Tem/Short Term  | 178.00  | [ICRA]AA-(Stable)/[ICRA]A 1+ | 14-Jul-2023 | [ICRA]AA-(Stable)/[ICRA]A 1+ | 17-May-2022 | [ICRA]AA-(Stable)/[ICRA]A 1+ | -           | -                   |
| Long term / short term-non fund based            | Long Tem/Short Term  | 1600.00 | [ICRA]AA-(Stable)/[ICRA]A 1+ | 14-Jul-2023 | [ICRA]AA-(Stable)/[ICRA]A 1+ | 17-May-2022 | [ICRA]AA-(Stable)/[ICRA]A 1+ | -           | -                   |
| Long term / short term fund based/non fund based | Long Term/Short Term | 0.00    | -                            | 14-Jul-2023 | [ICRA]AA-(Stable)/[ICRA]A 1+ | 17-May-2022 | [ICRA]AA-(Stable)/[ICRA]A 1+ | -           | -                   |
| Long term-non fund based                         | Long Term            | 0.00    | -                            | 14-Jul-2023 | [ICRA]AA-(Stable)            | 17-May-2022 | [ICRA]AA-(Stable)            | 07-APR-2021 | [ICRA]A+ (Positive) |
|  | -                    | -       | -                            | -           | -                            | -           | -                            | 15-JUN-2021 | [ICRA]A A-(Stable)  |

### Complexity level of the rated instruments

| Instrument                            | Complexity Indicator |
|---------------------------------------|----------------------|
| Short Term – Fund based               | Simple               |
| Short-term facilities – FB/NFB        | Simple               |
| Long term/Short term – Non-fund based | Very Simple          |
| Long term/Short term – Unallocated    | NA                   |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

| ISIN | Instrument Name                         | Date of Issuance / Sanction | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook     |
|------|---|-----------------------------|-------------|----------|--------------------------|--------------------------------|
| NA   | Non-fund based                          | -                           | -           | -        | 1600.00                  | [ICRA]AA- (Stable) / [ICRA]A1+ |
| NA   | Fund based – Working capital            | -                           | -           | -        | 12.00                    | [ICRA]A1+                      |
| NA   | Short term–Fund / Non-fund based limits | -                           | -           | -        | 210.00                   | [ICRA]A1+                      |
| NA   | Unallocated limits                      | -                           | -           | -        | 178.00                   | [ICRA]AA- (Stable) / [ICRA]A1+ |

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

| Company Name  | Ownership | Consolidation Approach |
|---|-----------|------------------------|
| Ayana Renewable Power Private Limited   | 100.00%   | Full Consolidation     |
| Ayana Ananthapuramu Solar Private Limited   | 100.00%   | Full Consolidation     |
| Ayana Kadapa Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| Ayana Renewable Power One Private Limited   | 100.00%   | Full Consolidation     |
| Ayana Renewable Power Two Private Limited   | 100.00%   | Full Consolidation     |
| Ayana Renewable Power Three Private Limited   | 100.00%   | Full Consolidation     |
| Ayana Renewable Power Four Private Limited  | 74.00%    | Full Consolidation     |
| Ayana Renewable Power Five Private Limited  | 100.00%   | Full Consolidation     |
| Ayana Renewable Power Six Private Limited   | 100.00%   | Full Consolidation     |
| Tungabhadra Solar Parks Private Limited   | 100.00%   | Full Consolidation     |
| Anantapur Solar Parks Private Limited   | 100.00%   | Full Consolidation     |
| Adyah Solar Energy Private Limited  | 100.00%   | Full Consolidation     |
| Seven Renewable Power Private Limited   | 100.00%   | Full Consolidation     |
| Project Eight Renewable Power Private Limited   | 100.00%   | Full Consolidation     |
| Project Nine Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| Project Ten Renewable Power Private Limited   | 100.00%   | Full Consolidation     |
| Project Eleven Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| Project Twelve Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| ACME Chittorgarh Solar Energy Private Limited   | 100.00%   | Full Consolidation     |
| Bhadla Renewable Power Private Limited (erstwhile Phelan Energy India RJ Private Limited) | 100.00%   | Full Consolidation     |
| Project Thirteen Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| Project Fourteen Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| IRCON Renewable Power Limited   | 24.00%    | Equity Method          |
| Project Fifteen Renewable Power Private Limited   | 100.00%   | Full Consolidation     |
| Project Sixteen Renewable Power Private Limited   | 100.00%   | Full Consolidation     |
| Project Seventeen Renewable Power Private Limited   | 100.00%   | Full Consolidation     |
| Project Eighteen Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| Project Nineteen Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| Project Twenty Renewable Power Private Limited  | 100.00%   | Full Consolidation     |
| Tirunveli Solar Project Private Limited   | 100.00%   | Full Consolidation     |

Source: Company

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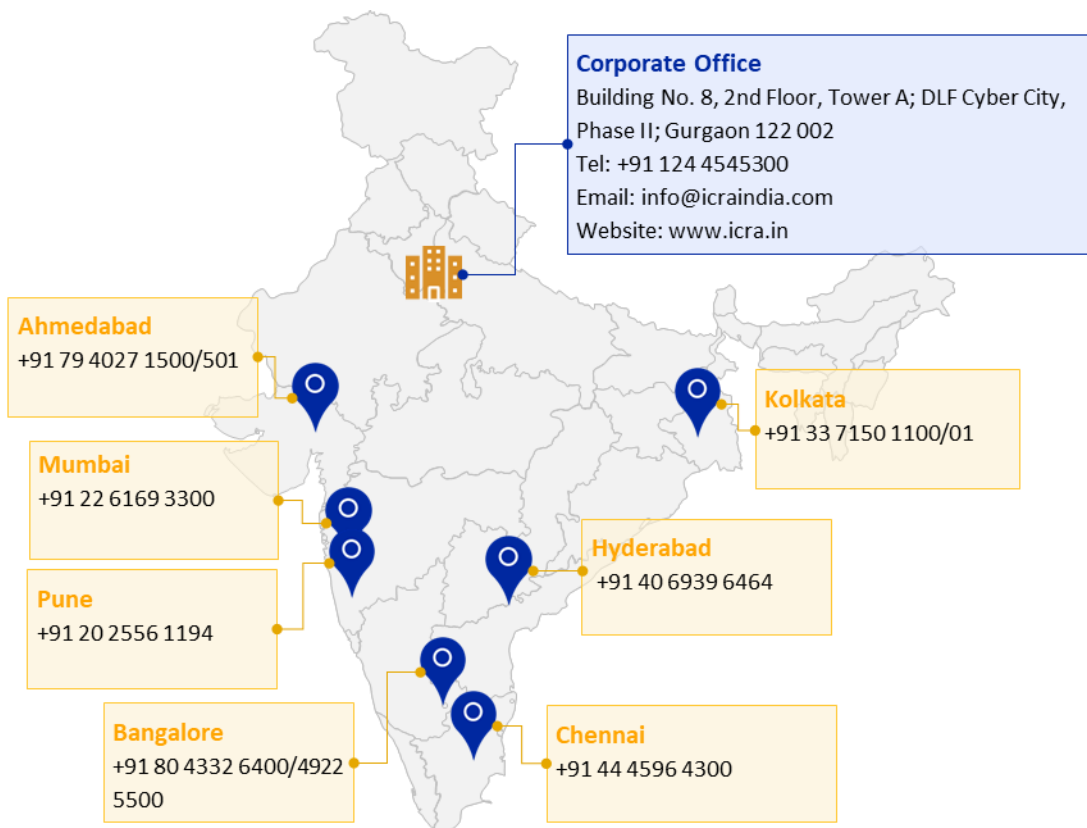
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