Crisil Ratings

CONFIDENTIAL

RL/AVSMPL/360939/NCD/0125/107523/100718730
January 22, 2025

Mr. Rahul Gupta
Associate Manager - Accounts
Avaada SataraMH Private Limited
C-11, C Block, Sector 65, Noida,
Gautam Buddha Nagar, Uttar Pradesh-
Gautam Buddha Nagar - 201301
9873840305

Dear Mr. Rahul Gupta,

Re: Review of Crisil Rating on the Rs.270 Crore Non Convertible Debentures of Avaada SataraMH Private Limited

All ratings assigned by Crisil Ratings are kept under continuous surveillance and review.

Crisil Ratings has, after due consideration, reaffirmed its Crisil AAA/Stable (pronounced as Crisil triple A rating with Stable outlook) rating on the captioned debt instrument. Securities with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such securities carry lowest credit risk.

In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from Crisil Ratings will be necessary.

As per our Rating Agreement, Crisil Ratings would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. Crisil Ratings reserves the right to withdraw, or revise the rating / outlook assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information, or other circumstances which Crisil Ratings believes may have an impact on the rating. Please visit www.crisilratings.com and search with the name of the rated entity to access the latest rating/s.

As per SEBI circular (reference number: CIR/IMD/DF/17/2013; dated October 22, 2013) on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN; along with the reference number and the date of the rating letter) of all bond/debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at debtissue@crisil.com. This will enable Crisil Ratings to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us at debtissue@crisil.com for any clarification you may need.

Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Ankush Tyagi
Associate Director - Crisil Ratings

Nivedita Shibu
Director - Crisil Ratings

CRISIL

Crisil Ratings

Rating Rationale

January 21, 2025 | Mumbai

Avaada SataraMH Private Limited

Rating reaffirmed at 'Crisil AAA/Stable'

Rating Action

Rs.270 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AAA/Stable' rating on the non-convertible debentures (NCDs) of Rs 270 crore of Avaada SataraMH Pvt Ltd (ASMHPL, part of the Avaada restricted group [ARG]).

ARG includes four operational special-purpose vehicles (SPVs): FSPL, Clean Sustainable Energy Pvt Ltd (CSEPL), ASMHPL and Avaada Solarise Energy Pvt Ltd. The SPVs are wholly owned subsidiaries (except ASMHPL) of Avaada Energy Pvt Ltd (AEPL), which is the main holding entity for all solar assets under the Avaada group. ASMHPL is held 74% by AEPL and 26% by group captive consumers. ARG has outstanding debt of Rs 1,253 crore, against total capacity of 555.25 megawatt (MW) for all the four entities combined in ARG.

The rating reflects strong revenue visibility, low offtake risk (with entire capacity of 555.25 megawatt-peak [MWp] tied up), diversification benefits enjoyed by ARG with assets spread across three states and multiple counterparties, and low tariff risk with entire capacity tied up through long-term power purchase agreements (PPAs) at fixed tariffs. The rating also factors in the healthy financial risk profile, supported by a healthy debt service coverage ratio (DSCR), debt service reserve account (DSRA) balance equivalent to nine months of debt obligation, and presence of restrictive covenants. These strengths are partially offset by exposure to risks inherent in operating solar energy assets and to refinancing risk given the balloon payment structure of the outstanding NCD.

Owing to the said structure of the outstanding NCD, a balloon payment of Rs 1,253 crores is due at the end of February 2025, when the NCD matures. However, ARG has already received in-principle sanction letter for refinancing the said amount and the same is currently under process of getting finalized. Progress towards the final closure of the refinancing & the rate of interest for the refinanced amount will be key rating sensitivity factors

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of the four SPVs in ARG in line with its criteria for rating entities in homogeneous groups and equated the rating of the individual SPVs to the group. The entities are in a homogeneous group as they have a common promoter, AEPL, which owns 100% stake in all SPVs, except ASMHPL (26% held by group captive customers and rest by AEPL, as required by the group captive regulations). The entities have a common management and treasury team and are in the same business. All the entities are critical to ARG. Each SPV acts as a co-obligor to the others, with each giving corporate guarantee to the debt obligations of all other SPVs and there being a cross default clause that implies that default on any condition in any one SPV leads to default in all other SPVs. Cash flow generated at each SPV is available for use across the restricted group. Any deviation in this understanding will be a key rating sensitivity factor.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Strong revenue visibility and counterparty profile:** The entire capacity of 555.25 MWp of ARG is tied up through long-term PPAs at fixed pre-determined tariffs. Around 45% of the overall portfolio (by capacity) has 25-year PPAs with Solar Energy Corporation of India (SECI) at tariffs of Rs 2.62/unit (for 140 MWp) and Rs 4.43/unit (for 108 MWp), while 210 MWp (38% of capacity) is tied up with Bangalore Electricity Supply Company Ltd (BESCOM; a Karnataka state distribution company [discom]) for 25 years at a tariff of Rs 2.92/unit. The balance capacity is tied up with four commercial and industrial (C&I) customers with strong credit risk profiles for 17 years (capacity weighted average) with lock-in period of 15 years at a tariff of Rs 3.73/unit (capacity weighted average).

  The long-term PPAs provide revenue visibility and stability to cash flows. Payment track record across projects has been healthy, with payment cycle largely in line with the PPA terms in the past few years, despite the presence of a state discom (BESCOM) among the counterparties. Additionally, projects have been operational for over four years (capacity weighted average) and have a satisfactory performance track record, with above P90 plant load factor (PLF) performance (on aggregate basis) over the past four fiscals (only projects operational for full fiscal considered).

Going forward, Crisil Ratings expects the payment cycle to remain stable while PLF levels continue at P-90 level or better. However, any significant build-up of receivables or continuous underperformance in the PLF will remain a key rating sensitivity factor.

- **Diversified geographical spread of assets with co-obligor structure of SPVs providing diversity benefit:** The assets are spread across Karnataka (38% of total capacity), Maharashtra (37%) and Rajasthan (25%). The projects in Karnataka and Rajasthan are in solar parks with a record of healthy irradiation levels.

  All projects within each SPV are co-obligors for projects in the other three SPVs. Furthermore, cash flow generated at each SPV will be available for use across the restricted group, thus supporting the consolidated DSCR. Additionally, as part of structure conditions, the SPVs have undertaken that any distributable surplus in any SPV will first be utilised to make good any shortfall in meeting expenses, debt servicing or maintenance of reserves in other SPVs before distribution to the sponsors.

- **Healthy financial risk profile:** The financial risk profile should remain healthy marked by strong average DSCR through the tenure of the three-year NCDs (at Crisil Ratings sensitised projections). The DSCRs are also likely to be healthy through the remaining life of the asset after refinancing. Furthermore, liquidity for the NCDs is supported through DSRA equivalent to nine months of debt obligation created in the form of lien marked fixed deposits.

  Financial risk profile is also supported by a cash sweep covenant, which specifies that if the DSCR falls below 1.45 times in the trailing 12 months (tested every six months), the entire surplus shall be swept and used for debt prepayment. The proposed NCDs will be secured by project assets.

Weaknesses:

- **Exposure to refinancing risk:** The SPVs in ARG are exposed to the risk of refinancing bullet payment of around Rs 1,253.4 crore at the end of the three-year tenure of the NCDs i.e February 2025. That said, the healthy business risk profile of the underlying assets and robust blended DSCRs over the available useful life of projects, extending to around 17 years (on capacity weighted basis), mitigate risks to an extent, with respect to refinancing.

  Crisil Ratings understands that ARG has already received in-principle sanction letters for refinancing the bullet payment of Rs 1,253 crores, with key terms & conditions are mainly likely to be in line with Crisil Ratings' earlier refinancing expectations. Crisil Ratings understands that the refinancing is expected to be completed by the end of January 2025. Further, Crisil Ratings has taken note of the group's track record of fund raising through various channels, including banks, and the same provides comfort against the current refinancing risk. That said, progress towards the final closure of the refinancing against the expected timelines & the underlying terms & conditions for refinancing, including quantum raised, rate of interest for the refinanced amount etc, will be key rating sensitivity factors going forward.

- **Exposure to risks inherent in operating solar energy assets:** The performance of solar power plants depends on irradiation levels around plant location and annual degradation in solar panels. Given that cash flow is highly sensitive to PLFs in solar power assets, these risks could severely impair debt servicing and free cash flow. Crisil Ratings will continue to monitor PLF as a key rating sensitivity factor.

Liquidity: Superior

Liquidity is driven by expected earnings before interest and depreciation of around Rs 240 crore for both fiscal 2024 and fiscal 2025 at P90 level of generation, against debt obligation of around Rs 165 crore for fiscal 2024 and Rs 160 Crore for fiscal 2025. As on January 3, 2024, the SPVs have fixed deposit of Rs 137.2 crore, which covers DSRA of nine months of debt obligation. Additionally, working capital reserve and additional free cash of Rs 174 crore across the SPVs in ARG also supports liquidity. Further, there is no planned capital expenditure, except as required in the normal course of business for plant upkeep.

Crisil Ratings understands that ARG has already received in-principle sanction letters for refinancing the bullet payment of Rs 1,253 crores, thereby limiting the liquidity risk.

Outlook; Stable

The SPVs in ARG are expected to benefit from steady cash flows backed by long-term PPAs and stable operational performance.

Rating sensitivity factors

Downward factors:

- Delay or failure in achieving closure of refinancing of the outstanding long term debt (currently has maturity in February 2025) against the expected timelines
- Weighted average PLF for the entire portfolio lower than P90 level on a sustained basis
- Significant delay in payment by counterparties resulting in sustained build-up of receivables

About the Company

ASMHPL is a 74% subsidiary of AEPL, with the rest held by four C&I group captive customers. It has a 97.25 MWp solar power plant commissioned in 2020 in Satara, Maharashtra. It has signed a PPA for 17 years (capacity weighted average) with the four C&I customers at a weighted average tariff of Rs 3.73/unit.

Key Financial Indicators - ASMHPL – Crisil Ratings-adjusted numbers

As on / for the period ended March 31	Unit	2024	2023
Operating income*	Rs crore	55	52
Reported profit after tax (PAT)	Rs crore	14	9

PAT margins	%	25.4	17.3
Adjusted debt^/adjusted networth^	Times	1.62	1.93
Interest coverage	Times	2.55	2.24

^Interest-free loans from promoter and related parties treated as neither debt nor equity
**Solar power project under the company was fully operational starting November 9, 2020*

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
INE0CSU07013	Non Convertible Debentures	02-Mar-22	6.75	28-Feb-25	270.00	Simple	Crisil AAA/Stable

Annexure – List of entities consolidated

Entities consolidated	Extent of consolidation	Rationale for consolidation
Clean Sustainable Energy Pvt Ltd	Full	Common management and sharing of cash flow
Avaada Solarise Energy Pvt Ltd	Full	
Avaada SatarMH Pvt Ltd	Full	
Fermi Solarfarms Pvt Ltd	Full	

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	270.0	Crisil AAA/Stable		--	22-01-24	Crisil AAA/Stable	25-01-23	Crisil AAA/Stable	02-03-22	Crisil AAA/Stable	Provisional Crisil AAA/Stable
			--		--		--		--	02-02-22	Provisional Crisil AAA/Stable	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
Criteria for rating instruments backed by guarantees
The Infrastructure Sector Its Unique Rating Drivers
Criteria for rating solar power projects
Criteria for rating entities belonging to homogenous groups

Media Relations	Analytical Contacts	Customer Service Helpdesk
Ramkumar Uppara Media Relations **Crisil Limited** M: +91 98201 77907 B: +91 22 6137 3000 ramkumar.uppara@crisil.com **Sanjay Lawrence** Media Relations **Crisil Limited** M: +91 89833 21061 B: +91 22 6137 3000 **sanjay.lawrence@crisil.com**	Manish Kumar Gupta Senior Director **Crisil Ratings Limited** B:+91 22 6137 3000 manish.gupta@crisil.com Ankit Hakhu Director **Crisil Ratings Limited** B:+91 124 672 2000 ankit.hakhu@crisil.com Aritra BANERJEE	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

	Senior Rating Analyst **Crisil Ratings Limited** B:+91 22 6137 3000 Aritra.BANERJEE@crisil.com	

About Crisil Ratings Limited (A subsidiary of Crisil Limited, an S&P Global Company)

Crisil Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

Crisil Ratings Limited ('Crisil Ratings') is a wholly-owned subsidiary of Crisil Limited ('Crisil'). Crisil Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About Crisil Limited

Crisil is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India’s foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') provided by Crisil Ratings Limited ('Crisil Ratings'). For the avoidance of doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for use only within the jurisdiction of India. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as Crisil Ratings provision or intention to provide any services in jurisdictions where Crisil Ratings does not have the necessary licenses and/or registration to carry out its business activities. Access or use of this report does not create a client relationship between Crisil Ratings and the user.

The report is a statement of opinion as on the date it is expressed, and it is not intended to and does not constitute investment advice within meaning of any laws or regulations (including US laws and regulations). The report is not an offer to sell or an offer to purchase or subscribe to any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way.

Crisil Ratings and its associates do not act as a fiduciary. The report is based on the information believed to be reliable as of the date it is published, Crisil Ratings does not perform an audit or undertake due diligence or independent verification of any information it receives and/or relies on for preparation of the report. THE REPORT IS PROVIDED ON “AS IS” BASIS. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS, CRISIL RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE. In no event shall Crisil Ratings, its associates, third-party

Crisil Ratings or its associates may have other commercial transactions with the entity to which the report pertains or its associates. Ratings are subject to revision or withdrawal at any time by Crisil Ratings. Crisil Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors.

Crisil Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For more detail, please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html. Public ratings and analysis by Crisil Ratings, as are required to be disclosed under the Securities and Exchange Board of India regulations (and other applicable regulations, if any), are made available on its websites, www.crisilratings.com and https://www.ratingsanalytica.com (free of charge). Crisil Ratings shall not have the obligation to update the information in the Crisil Ratings report following its publication although Crisil Ratings may disseminate its opinion and/or analysis. Reports with more detail and additional information may be available for subscription at a fee. Rating criteria by Crisil Ratings are available on the Crisil Ratings website, www.crisilratings.com. For the latest rating information on any company rated by Crisil Ratings, you may contact the Crisil Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

Crisil Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on Crisil Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: **https://www.crisilratings.com/en/home/our-business/ratings/credit-ratings-scale.html**