

CONFIDENTIAL

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January 22, 2025

Mr. Rajat Gupta
Chief Financial Officer
Fermi Solarfarms Private Limited
C-11, C Block, Sector 65, Noida,
Gautam Buddha Nagar,
Uttar Pradesh
Gautam Buddha Nagar - 201301
9999488214

Dear Mr. Rajat Gupta,

Re: Review of Crisil Rating on the Rs.337 Crore Non Convertible Debentures of Fermi Solarfarms 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.

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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



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Rating Rationale

January 21, 2025 | Mumbai

Fermi Solarfarms Private Limited

Rating reaffirmed at 'Crisil AAA/Stable'

Rating Action

Rs.337 Crore Non Convertible Debentures	Crisil AAA/Stable (Reaffirmed)
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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 Rs.337 crore non-convertible debentures (NCDs) of Fermi Solarfarms Private Limited (FSPL, part of the Avaada restricted group [ARG]).

ARG includes four operational special-purpose vehicles (SPVs): FSPL, Clean Sustainable Energy Pvt Ltd (CSEPL), Avaada SataraMH Pvt Ltd (ASMHL) and Avaada Solarise Energy Pvt Ltd. The SPVs are wholly owned subsidiaries (except ASMHL) of Avaada Energy Pvt Ltd (AEPL), which is the main holding entity for all solar assets under the Avaada group. ASMHL 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 ASMHL (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 others. 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

Unsupported ratings - Crisil AAA

Unsupported rating disclosure for ratings without 'CE' suffix, where the instruments are backed by specified support considerations, is in compliance with SEBI's circular dated September 22, 2022.

Key drivers for unsupported ratings

Crisil Ratings has combined the business and financial risk profiles of all SPVs under ARG (together referred as the group) and has equated the ratings with that of the group. This is driven by expected high fungibility of cash flows across all SPVs and timely support to all SPVs at the time of distress for any debt repayments. The Management's intention to have high

fungibility is also supported by cross guarantees across the SPVs, presence of TRA waterfall mechanism, mandatory cash sweeps/ traps, cross default clauses and other financial covenants. Consequently, unsupported and supported ratings, with the cross guarantees, stand at the same level and are equated to that of the group.

About the Company

FSPL is a 100% subsidiary of AEPL. It has a 108 MWp solar power plant commissioned in 2018 in Jalgaon, Maharashtra. It has signed a PPA for 25 years with SECI, the sole off-taker, at a tariff of Rs 4.43 per unit.

Key Financial Indicators- FSPL – Crisil Ratings-adjusted numbers

As on / for the period ended March 31	Unit	2024	2023
Operating income	Rs crore	67	70
Reported profit after tax (PAT)	Rs crore	20	23
PAT margin	%	29.9	32.9
Adjusted debt [^] /adjusted network [^]	Times	2.54	2.54
Interest coverage	Times	2.93	2.93

[^]Interest free loans from promoter and related parties treated as neither debt nor equity

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
INE404X07015	Non Convertible Debentures	02-Mar-22	6.75	28-Feb-25	337.00	Simple	Crisil AAA/Stable

Annexure – List of entities consolidated

Names of 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

Instrument	Type	Current		2025 (History)		2024		2023		2022		Start of 2022
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	337.0	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
					--		--		--	15-02-22	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

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