## Press Release

**Avaada Clean Project Private Limited**

April 24, 2020

**Rating Assigned**

| **Facility*** | Issuer Rating |
|---|---|
| **Long Term Rating** | ACUITE A (IR) / Outlook: Negative |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned the long-term issuer rating of '**ACUITE A (IR)**' **(read as ACUITE A Issuer Rating)** to AVAADA CLEAN PROJECT PRIVATE LIMITED (ACPPL). The outlook is **'Negative'**.

Avaada Clean Project Private Limited (ACPPL) is a part of Avaada Group. The company is one of the EPC arm of renewable energy projects of the Group. The company was incorporated in 2018, however the operations of the company commenced in April, 2019. ACPPL is a wholly owned subsidiary of Avaada Energy Private Limited.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Avaada Clean Project Private Limited to arrive at this rating. The rating has been notched up for parent support from Avaada Energy Private Limited (AEPL).

## Key Rating Drivers

### Strengths

- **Experienced promoters and strong parent support**

  Mr. Vineet Mittal, the promoter of Avaada Group has more than a decade of experience in the renewable energy sector. Mr. Vineet spearheaded the renewable energy business of Welspun Energy Private Limited (WEPL) and successfully developed and monetized one of India's largest operational clean energy portfolio of ~ 1.2 GW of solar PV projects. These projects are supported by 25 years power purchase agreement with distribution companies, were implemented and executed in short span of 5 years without any cost or time overrun.

  ACPPL is a wholly owned subsidiary of AEPL. The company is operating under the same management. Apart from the equity, the company has financial support from AEPL in the form of unsecured loans of ~Rs. 45 crore (outstanding as on 29 February, 2020).

  AEPL started with EPC contracts in 2017 by setting up different solar projects under its SPVs. AEPL has so far successfully executed projects with installation of ~911 MW spread across different states, namely, Maharashtra, Karnataka and Rajasthan to name a few. Majority of the projects of Avaada group have the long term PPA (tenor of 25 years) signed with State Government, Commercial and Industrial segment like Wipro Limited, Sunvick Steel and SECI, thereby establishing long term offtake arrangements. The tariff per unit for the aforementioned capacity ranges between Rs.2.44 – 4.6 per unit and have commenced operations during FY 2018 – FY 2020.

  Acuité believes that ACPPL will continue to benefit from its ongoing financial and operational support from AEPL. The continuing ownership and support from AEPL will be a key rating sensitivity factor.

### Weaknesses

- **Susceptibility of the operating revenues to risk associated with timely completion and funding of the projects**

  The company undertakes construction work of solar power projects for its parent company AEPL. The company enters into fixed price turnkey contract with AEPL which also stipulates timelines for the completion of the project as per the agreed schedule and the cost.

The operating income of the company stood at Rs.97.41 crore (Provisional) in FY2020 (11M). Further, the company has a project pipeline of around Rs.922 crore to be executed in the near to medium term. EBITDA margins stood at 15.67 percent (Provisional) in FY2020 (11M). The net profitability margins stood at 11.96 percent (Provisional) in FY2020 (11M).

Acuité believes that any delays in completion of the project within stipulated timelines and at envisaged cost resulting in decline in the operating income would be key rating sensitivities.

- **Exposure to intense competition and regulatory risks related to the solar sector in India**
The performance of the solar power industry in India is dependent on the regulatory environment surrounding the industry. There has been a significant decline in cost of solar panels primarily due to a marked decline in Photo-Voltaic (PV) cell prices in the recent past. Further, entry of large players has intensified the competitive landscape in the solar sector. However, the intense competition has also resulted in highly competitive prices sometimes going as low as Rs.2.44 per unit as per latest Solar Energy Corporation of India (SECI) bidding. However, MNRE vide its recent communication mentioned that the upper ceiling tariffs would no longer be prescribed in future bids for solar and wind projects which is a positive aspect for the industry players. The sector is also susceptible to changes in the policies and regulations laid down by the government from time to time. For instance, Government of India had imposed a safeguard duty from July 2018 on solar cells and modules imported from China and Malaysia which is expected to be over in July this year. During this period since, the government had increased the safeguard duty and around 85% of solar cells and modules are imported from China and Malaysia, the COD of the projects across the industry were deferred and thereby impacting EPC players like Avaada.

Acuité believes that this intense competition and changes in renewable energy related policies resulting in fewer solar power purchase commitments and availability of low cost power from other sources may impact the scale of operations for ACPPL.

**Rating Sensitivities**
- Timely execution of projects
- Improvement in operating performance thereby improving the overall financial risk profile

**Material Covenants**
None

**Liquidity Position: Adequate**
ACPPL has adequate liquidity on account of financial support provided by the parent company. Further, the company does not have any debt obligation as it is a debt free company. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of financial support from promoters/parent company and no debt repayment obligations over the medium term.

**Outlook: Negative**
Acuité believes that the slowdown in the pace of implementation of projects will have a significant bearing on the credit profile of ACPPL. The rating might be downgraded in case of occurrence of events which may further impede implementation of the project, sustained decline in the revenue profile leading to low profitability and deterioration in the financial risk profile. Conversely, the outlook may be revised to 'Stable' if the company registers significant improvement in revenue and profitability from the current levels.

**About the Rated Entity - Key Financials**

| | Unit | FY19 (Actual) | FY18 (Actual) |
|---|---|---|---|
| Operating Income | Rs. Cr. | 0.00 | 0.00 |
| PAT | Rs. Cr. | 0.00 | 0.00 |
| PAT Margin | (%) | 0.00 | 0.00 |
| Total Debt/Tangible Net Worth | Times | 0.00 | 0.00 |
| PBDIT/Interest | Times | 0.00 | 0.00 |

**Status of non-cooperation with previous CRA (if applicable)**
None

## Any other information
Not Applicable

**Applicable Criteria**
- Default Recognition -https://www.acuite.in/view-rating-criteria-52.htm
- Entities in Infrastructure Sector-https://www.acuite.in/view-rating-criteria-51.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.htm
- Group and Parent Support -https://www.acuite.in/view-rating-criteria-47.htm

**Note on complexity levels of the rated instrument**
https://www.acuite.in/view-rating-criteria-55.htm

## Rating History (Upto last three years)
Not Applicable

## *Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|---|
| Issuer Rating | Not Applicable | Not Applicable | Not Applicable | - | ACUITE A (IR)/ Negative |

## Contacts

| Analytical | Rating Desk |
|---|---|
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**About Acuité Ratings & Research:**
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