

Press Release

Avaada Clean Project Private Limited

April 16, 2021



Rating Withdrawn

Facility*	Issuer Rating
Long Term Rating	ACUITE A- (IR) (Downgraded from ACUITE A/Negative and Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded and withdrawn the long-term issuer rating of '**ACUITE A- (IR) (read as ACUITE A minus Issuer Rating)**' from '**ACUITE A (IR) (read as ACUITE A Issuer Rating)**' of Avaada Clean Project Private Limited (ACPPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company.

Reason for downgrade

The rating downgrade is on account of steep decline in revenues and net profitability of the parent company over the past 4 years. The operating income of the company was volatile and stood at Rs.668.10 crore for FY2020 as compared to Rs. 904.69 crore for FY2019 and Rs. 1172.13 crore for FY2018. AEPL reported revenues of Rs.222.70 crore for FY2021 (9M). AEPL incurred PAT losses of Rs. 18.66 crore during the period April-December, 2020. The PAT declined mainly on account of significant increase in interest outflow in FY2020 and FY2021 which impacted the liquidity of the company. However, there were no delays in the repayment of debt obligations. The current ratio deteriorated and stood at 0.80 times in FY2020. The ratings are constrained by declining revenues, profitability and liquidity profile of parent company. However, the rating factor in the experienced management and long track record of operations of the group along with the improving standalone performance of ACPPL.

About the company

ACPPL is a part of Avaada Group. It is a Delhi based company promoted by Mr. Vineet Mittal. 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. 65.73 crore (outstanding as on 31 March, 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.

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.280.19 crore in FY2021 (9M) and Rs.166.44 crore in FY2020. Further, the company has a project pipeline of around Rs. 2416.16 crore to be executed by F2023.

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 critical.

- 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

Not Applicable

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

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	166.44	0.00
PAT	Rs. Cr.	4.20	0.00
PAT Margin	(%)	2.52	0.00
Total Debt/Tangible Net Worth	Times	16.30	0.00
PBDIT/Interest	Times	204.50	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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Criteria For 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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Apr-2020	Issuer Rating	Long Term	-	ACUITE A (IR) /Negative (Assigned)

*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) (Downgraded and Withdrawn)

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About Acuité Ratings & Research:

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