

**Aavanti Renewable Energy Private Limited**

November 06, 2018

**Rating**

<b>Instrument / Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>
Long Term Bank Facilities – Term Loan	96.85	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned
Short Term Bank Facilities – Bank Guarantee	2.00	IVR A3 (IVR A Three)	Assigned
<b>Total</b>	<b>98.85</b>		

**Details of Facilities are in Annexure 1****Detailed Rationale**

The aforesaid rating derives comfort from its experienced sponsors, locational advantage and Government's thrust on solar energy. Long Term PPA (Power Purchase Agreement) for 25 years signed with Bangalore Electricity Supply Company Limited (BESCOM) provides assured revenue stream supporting the rating. However, the rating is constrained by relatively nascent stage of operations, high capital intensity of the project and dependence on climatic conditions. Stabilisation of operation and achieving projected PLF (Plant Load Factor), profitability, capital structure and timely collection of receivables from BESCOM are the key rating sensitivities.

**Key Rating Drivers**

- Experienced sponsors
- Locational advantage
- Long term revenue visibility
- Government's thrust on the solar energy
- Relatively Nascent stage of operations
- Capital Intensity of the project
- Dependence on climatic conditions

## Detailed Description of Key Rating Drivers

### Key Rating Strengths

#### Experienced sponsors

Aavanti Renewable Energy Private Limited (AREPL) is sponsored by OPG Power Generation Private Limited (OPGPL) belonging to OPG group, being one of the leading power generating companies in the country, operating 414 MW thermal power projects in India. OPGPL with over five decades of operation is a reputed name as a developer and operator of power plants in India with a track record of delivery and experienced management team.

#### Locational advantage

The plant is located at Hosadurga Taluk, Chitradurga District, Karnataka which is at a distance of 3 kms from the nearest substation for power evacuation located at Method, District Chitradurga; thus, providing the company with locational advantage. The insolation at the site is around 5 kwh/m<sup>2</sup>/day which is above annual average. The location is considered to be a high potential site for solar power generation.

#### Long term revenue visibility

AREPL has signed a long term Power Purchase Agreement (PPA) with Bangalore Electricity Supply Company Limited (BESCOM) for 25 years. This provides the company with assured long term revenue for 25 years.

#### Government's thrust on the solar energy

The Government of India has provided a thrust on developing renewable energy generation including solar power. The cumulative solar capacity in India in FY17 was 12.3 GW of which 45% (nearly 5.5 GW) was added in FY17. The CAGR of solar capacity in the last five years was 67%. Government of India has targeted nearly 100 GW of solar power capacity by FY 2022. It is estimated that around 41 GW of grid scale solar capacity will be added between FY18 and FY22 apart from an additional capacity of 11 GW of solar rooftop taking the total installed capacity to more than 64 GW including the existing capacity of over 12 GW.

## Key Rating Weaknesses

### Relatively nascent stage of operation

The company commenced its operations with effect from February 12, 2018. The company is still at its nascent stage of operations as it has been only eight months since the company commenced its operations.

### Capital Intensity of the project

Solar PV systems are capital intensive and is at a nascent stage in India. The cost incurred on the project is Rs.130.14 crore which is a huge investment, given the fact that power project is generally having long gestation. This high capital intensity along with uncertainty associated with achievement of desired PLF makes the solar power project less competitive vis-à-vis other forms of power projects.

### Dependence on climatic conditions

The industry is weather dependent. Only those areas that receive good amount of sunlight are suitable for producing solar energy. During daytime, the weather may be cloudy or rainy, with little or no sun radiation. This makes solar energy panels less reliable as a solution.

## Analytical Approach & Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

### About the Company

Aavanti Renewal Energy Private Limited (AREPL) is a Special Purpose Vehicle established with an objective to set up a 20MW AC/22.40 MW DC Solar PV Project at Hosadurga Taluk, Chitradurga District, Karnataka. AREPL is sponsored by OPG Power Generation Private Limited (OPGPL), one of the leading power generating company operating 414 MW Thermal Power Projects in India. The other shareholders are Samriddhi Energy Private Limited and IBC Solar Venture India BV which are a part of OPG Group. AREPL has signed a long term Power Purchase Agreement (PPA) with Bangalore Electricity Supply Company Limited (BESCOM) for 25 years. The EPC Contract has been executed by Gita Power and Infrastructure Private

## Infomerics Valuation And Rating Pvt. Ltd.

Limited (GPIPL) which has implemented more than 600 MW projects in the country. The nearest 66/11 KV substation for power evacuation is located at Method, district Chitradurga, which is at a distance of 3 kms from the project site. The power evacuation arrangements for the project is made in coordination with Karnataka Power Transmission Corporation Limited (KPTCL). The project was commissioned on February 12, 2018.

### Financials:

Since the company commenced its operations from February 2018, the past financial numbers are not substantive hence not provided.

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

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Term Loan	Long Term	96.85	IVR BBB- / Stable Outlook	-	-	-
2.	Short Term Non Fund Based Limits – Bank Guarantee	Short Term	2.00	IVR A3	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania

Tel: (033) 46022266

Email: [hdidwania@infomerics.com](mailto:hdidwania@infomerics.com)

## About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

**Annexure 1: Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. Crore)</b>	<b>Rating Assigned/ Outlook</b>
Long Term Bank Facilities – Term Loan	-	10.65%	Principal amount shall be repaid over a period of 14 years on quarterly basis after moratorium period of 6 months from the date of COD, i.e. February 2018.	96.85	IVR BBB- / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	2.00	IVR A3 (IVR A Three)