

RL/AVSMPL/309653/NCD/0123/51498/100718730
January 27, 2023

Mr. Raji George
Vice President
Avaada SataraMH Private Limited
406, 4th Floor, Hubtown Solaris,
N.S.Phadke Marg, Andheri East
Mumbai City - 400069
8879684951



Dear Mr. Raji George,

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. Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments 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
Associate Director - CRISIL Ratings



Disclaimer: A rating by CRISIL Ratings reflects CRISIL Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL Ratings. Our ratings are based on information provided by the issuer or obtained by CRISIL Ratings from sources it considers reliable. CRISIL Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by CRISIL Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. CRISIL Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. CRISIL Ratings' criteria are available without charge to the public on the web site, www.crisilratings.com. CRISIL Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by CRISIL Ratings, please visit www.crisilratings.com or contact Customer Service Helpdesk at CRISILratingdesk@crisil.com or at 1800-267-1301

CRISIL Ratings Limited
(A subsidiary of CRISIL Limited)
Corporate Identity Number: U67100MH2019PLC326247

Rating Rationale

January 25, 2023 | Mumbai

Avaada SataraMH Private Limited

Rating Reaffirmed

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 Rs.270 crore non-convertible debentures (NCDs) of Avaada SataraMH Private Limited (ASMHPL, part of the Avaada restricted group [ARG]).

ARG includes four operational special-purpose vehicles (SPVs): ASMHPL, Clean Sustainable Energy Pvt Ltd (CSEPL), Fermi Solarfarms Pvt Ltd (FSPL) and Avaada Solarise Energy Pvt Ltd (ASEPL). 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 raised Rs 1,440 crore, which will be used to refinance the existing debt and for other corporate purposes (including the issue-related expenses).

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 NCD).

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 three 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 three 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. 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. Moreover, as per the management, the refinancing plan will be initiated six months before the bullet payment at the end of the third year, thereby providing reasonable cushion in terms of the timelines.

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 245 crore in fiscal 2024 at P90 level of generation, against debt obligation of around Rs 165 crore. As on January 3, 2023, the SPVs have fixed deposit of Rs 134.7 crore, which covers DSRA of nine months of debt obligation and working capital reserve and additional free cash of Rs 97 crore. Further, there is no planned capital expenditure, except as required in the normal course of business for plant upkeep.

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

- 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
- Non-adherence to the terms of the NCD financing structure.

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	2022	2021*
Operating income	Rs crore	51	19
Reported profit after tax (PAT)	Rs crore	(1)	-2
PAT margins	%	(2.7)	NM
Adjusted debt [^] /adjusted network [^]	Times	1.92	1.84
Interest coverage	Times	1.46	1.46

[^]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 Level	Rating assigned with outlook
INE0CSU07013	Non-convertible debentures	01-Mar-22	6.75%	28-Feb-25	270	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

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	270.0	CRISIL AAA/Stable		--	02-03-22	CRISIL AAA/Stable	03-12-21	Provisional CRISIL AAA/Stable		--	--
			--		--	02-02-22	Provisional CRISIL AAA/Stable		--		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings
The Rating Process
Criteria for rating solar power projects
Criteria for rating entities belonging to homogenous groups

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p>	<p>Manish Kumar Gupta Senior Director CRISIL Ratings Limited B:+91 124 672 2000 manish.gupta@crisil.com</p> <p>Ankit Hakhu Director CRISIL Ratings Limited B:+91 124 672 2000 ankit.hakhu@crisil.com</p> <p>Shivaramakrishna Kolluri Manager CRISIL Ratings Limited B:+91 22 3342 3000 shivaramakrishna.kolluri@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

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](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. 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 providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for 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 report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. 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 or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

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. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

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.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>