RL/FSLFPL/309899/NCD/0123/51494/100718429
January 27, 2023

Mr. Raji George
Vice President
Fermi Solarfarms Private Limited
406, 4th Floor, Hubtown Solaris,
N.S.Phadke Marg, Andheri (E),
Mumbai City - 400069
8879684951

Dear Mr. Raji George,

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. 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,

Aditya Jhaver
Director - CRISIL Ratings

Nivedita Shibu
Associate Director - CRISIL Ratings

CRISIL Ratings

Rating Rationale

January 25, 2023 | Mumbai

Fermi Solarfarms Private Limited

Rating Reaffirmed

Rating Action

Rs.337 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 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 (ASMHPL) and Avaada Solarise Energy Pvt Ltd. 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
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	2022	2021
Operating income	Rs crore	68	73
Reported profit after tax (PAT)	Rs crore	3	9
PAT margin	%	3.2	11.8
Adjusted debt^/adjusted networth^	Times	2.90	2.95
Interest coverage	Times	1.64	1.77

^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 Level	Rating assigned with outlook
INE404X07015	Non-convertible debentures	01-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

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	337.0	CRISIL AAA/Stable		--	02-03-22	CRISIL AAA/Stable	03-12-21	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
CRISILs Approach to Financial Ratios
The Rating Process
Criteria for rating solar power projects
Criteria for rating entities belonging to homogenous groups
Understanding CRISILs Ratings and Rating Scales

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