

RATING RATIONALE

Axis Energy Ventures India Pvt. Ltd.

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 400.00 Crores of Axis Energy Ventures India Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Proposed Guarantee facility# Non Fund Based	400.00	Long Term	BWR A Outlook Stable
Total	400.00	INR Four Hundred Crore Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

(#) - The company has submitted an application for the sanction of Guarantee facilities to a Financial Institution which is being processed

RATING ACTION/OUTLOOK

The rating draws strength from the vast experience of the promoters in the implementation of renewable energy projects, the exclusivity agreement of Axis Energy Ventures India Pvt. Ltd. (AEVIPL or the company) with Brookfield with technical and operational support where required, comfortable net worth and liquid investments of more than Rs.120 Crs as on date consequent to the sale of stake in the previous SPVs to Brookfield. The rating, however, is constrained on account of risks associated with the project development risks and risk of delay in the land acquisition and regulatory approvals required for the projects.

Credit Strengths :

- **Vast experience of promoters in renewable energy space:** The promoters have till date developed projects to the extent of 1200 MW and have technical and financial capabilities for project execution.
- **Agreement with Brookfield:** The company has an exclusivity agreement with Brookfield, which has vast experience of 20 years in the renewable energy sector and is globally diversified, with an operational power capacity of over 17,000 megawatt (MW) of hydro, wind, solar, distributed



generation and storage capacity across four continents. Projects will gain synergies from the experience of Brookfield in the energy sector globally and Axis' experience in renewable project development in India.

- **Low financing risk :** The risk of financial closure is a critical risk in the renewable energy transaction. As the projects will be bid for in close consultation with the financing partner the risk of financial closure will be mitigated substantially.
- **Strong liquidity:** AEVIPL has cash and liquid investments in mutual funds of more than Rs. 120 Crs. consequent to the takeover of the previous projects. The company does not have any debt on its balance sheet as on date, consequent to which there is sufficient liquidity to maintain the required margins for the proposed rated facilities.
- **Short-term availment:** The proposed BG will be replaced by the BGs from project lenders on financial closure for the SPVs, which is expected to be completed within 6-7 months of signing the PPAs. This reduces the risk for the company and also makes the guarantee amount available for new projects.

Credit Risks

- **Risk associated with tender/auction-based business:** The company is susceptible to the risk related to an auction-based business. It is exposed to the inherent risk of competitive bidding, project execution, and regulatory risks from changes in regulations from State and Central Governments.
- **Project development risks:** The company is susceptible to project development risks, including the delay in clearance/ approvals from government departments and delays in the signing of PPAs.
- **Import dependency:** Nearly 90% of the solar modules used in India are imported. This exposes solar EPC players to delays in imports as well as changes in margins due to the exchange rate volatilities and/or changes in duties applicable to these imports

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology on a standalone basis, as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The company's ability to achieve the projected income by successfully bidding for new projects, timely execution of allocated EPC work and continuation of the financial and operational support from Brookfield and the synergies from the experience of Brookfield and Axis in the renewable energy sector would be key rating sensitivities.



Positive: The rating will be upgraded in case the company achieves the projected revenues and improves its margins and capital structure. An improvement in the company's overall financial and operational profile will also be a positive rating sensitivity.

Negative: The rating shall be downgraded in case the company does not achieve its projected revenue, or there is a substantial deterioration in the capital structure of the company either on a standalone or consolidated basis.

LIQUIDITY POSITION (Adequate)

Net cash accruals were moderate at Rs. 17.38 Crs, and liquid mutual fund investment were at around Rs. 122 Crs as on Q3FY20. Recent limits taken by the company are Non Fund Based limits for bedding for new projects against fixed deposits. These non fund based limits are proposed to be replaced with the new limits proposed to be availed. The company does not have any debt on either a standalone or consolidated basis as on date. Cash flow from operating activities is positive at Rs. 113.48 Crs for FY19. Liquidity is likely to remain adequate over the medium term on account of sufficient liquid investments and cash accruals expected from new projects proposed to be undertaken/ future projects.

COMPANY PROFILE

Axis Energy Ventures India Private Limited (AEVIPL), the flagship company of Axis Group, was incorporated in 2000. The company was promoted by Mr. K. Ravi Kumar Reddy and Mr. K. Kiran Kumar Reddy. The company is involved in project development activities including wind resource assessment, approvals/permissions, land acquisitions, micro-siting and the construction of approach roads, substations and transmission lines, among others. It has also been involved in the project development and BOP work for wind power projects.

The company has an agreement with Suzlon Energy Ltd (SEL) dated 14 October 2015 for development of 4000-MW renewable power projects. The company has executed a total of 15 projects with aggregate capacity of nearly 1200 MW in various models, including the EPC model. The group had also set-up two IWPP of 105 MW each (Axis Wind Farms (Rayalaseema) Pvt Ltd and Axis Wind Farms (Anantapur) Private Ltd). Brookfield has now taken over 100% stake in both these projects.

On 8 May 2019, AEVIPL executed an exclusivity agreement to participate in future projects to be set-up by Axis Energy Group, which will accumulate Brookfield's financial capabilities and Axis Energy Group's execution capabilities, bringing synergies together. Axis Energy and Brookfield has an Exclusivity arrangement with distinct roles and responsibilities of project development which considers a threshold IRR level.

Profile of Brookfield Asset Management Inc.:

Brookfield Asset Management Inc. (Brookfield) is a global alternative asset manager with over US\$500 billion in assets under management. Brookfield has over 115 years of experience of owning and operating



assets with focus on property, infrastructure, renewable power and other real assets. Brookfield is listed on the Toronto, New York and Euronext stock exchanges and has a market capitalisation of over US\$40 billion. Under the framework agreement, Brookfield has committed to partnering and investing in the development of renewable projects aggregating to 2 GW in India.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: The terms of sanction have been assumed to be standard covenants stipulated for non fund based facilities stipulated by banks/financial institutions for such facilities .

KEY FINANCIAL INDICATORS

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Net Sales	₹ Cr	332.21	123.48
EBITDA	₹ Cr	59.72	14.11
PAT	₹ Cr	58.68	10.45
Tangible Net worth	₹ Cr	83.65	93.63
Total Debt/Tangible Net worth	Times	0.01	0.00
Current Ratio	Times	0.26	0.15

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: None

RATING HISTORY

Instrument / Facilities	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2019	2018	2017
Proposed Non Fund Based	Long Term	400.00	BWR A Stable	N.A	N.A	N.A
Total		400.00	Rupees Four Hundred Crore only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

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ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank*	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Proposed	Bank Guarantee	400.00	-	400.00
TOTAL					400.00

Total Rupees Four Hundred Crore only.



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