October 09, 2024

Mytrah Vayu Som Private Limited: Provisional Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund based - Term Loan	607.07	589.30	Provisional [ICRA]A+(Stable); reaffirmed
Long Term – Working Capital Demand Loan	52.81	51.81	Provisional [ICRA]A+(Stable); reaffirmed
Long Term – Unallocated	7.19	0.00	-
Total	**667.07**	**641.11**	

Rating in the absence of pending actions/documents	[ICRA]A-

**Instrument details are provided in Annexure-I*

Rationale

The rating action for Mytrah Vayu Som Private Limited (MVSPL) factors in the change in the rating approach to a consolidated view (with implicit support from the ultimate parent - JSW Energy Limited, or JSWEL) for all the 15 special purpose vehicles (SPVs; mentioned in Annexure II) under the co-obligor agreement. Earlier, ICRA had done a standalone credit profile assessment of the entity with rating upliftment on the basis of the consolidated assessment of the pool of 15 SPVs and implicit support from JSWEL. There is a co-obligor agreement among the 15 SPVs with a cash pooling structure which has a well-defined mechanism for the sharing of surplus cash flow prior to the due date of debt servicing among the SPVs, enabling ICRA to take a consolidated rating approach for all the SPVs.

The rating factors in the managerial and financial support from a strong ultimate parent – JSWEL (rated [ICRA]AA (Stable)/[ICRA]A1+). JSWEL's credit profile is supported by its large scale of operations and a diversified business profile with presence across thermal, hydro and renewable power generation, power transmission and power trading. It enjoys strong financial flexibility from being a part of an experienced and resourceful promoter group.

The wind and solar portfolio under these 15 SPVs aggregates to 1.45 GW with a wind-solar mix of 71:29; it has a well-diversified portfolio with presence across nine states and having long-term power purchase agreements (PPAs) with state distribution utilities (discoms), PTC India Limited and commercial & industrial (C&I) customers. While the generation performance of the solar assets under this portfolio remained satisfactory, the generation performance of the wind assets had largely been modest over the past three years owing to inadequate maintenance activity and a subdued wind season. However, after the acquisition of the portfolio in March 2023, the new management took various steps to improve the wind generation performance, which led to an improvement in the PLF levels in FY2024. Further, the management is undertaking rectification measures, including DC upsizing of the solar portfolio, to improve the generation performance and optimise the cost structure. The cumulative DSCR for the pool of 15 SPVs is expected to be comfortable at over 1.35x over the debt tenure.

The rating is, however, constrained by the large exposure to the state discoms of Telangana, Rajasthan, Karnataka and Andhra Pradesh having moderate financial profiles. However, this is offset by the presence of strong customers such as PTC India Limited, the Gujarat discoms and C&I customers (~30% of the portfolio). Moreover, comfort can be drawn from an improvement in the payment discipline of the discoms following the implementation of the late payment surcharge (LPS) rules by the Ministry of Power, Government of India.

The rating also considers the fact that the pool's cash flows and debt protection metrics remain sensitive to its generation performance. Any adverse variation in weather conditions and equipment performance may impact the PLF levels and consequently affect the cash flows as the PPA tariff is single part and fixed in nature.

ICRA further notes that the pool's debt coverage metrics remain exposed to the interest rate movement, given the annual interest rate reset. Further, the company's operations are exposed to the regulatory risks pertaining to the scheduling and forecasting requirements of wind and solar power projects. However, the risk of variation is relatively low for solar power projects compared to wind power projects.

The Stable outlook on the long-term rating reflects the presence of long-term PPAs, an expected improvement in generation performance following the rectification measures undertaken by the sponsor and the comfortable debt coverage metrics.

Key rating drivers and their description

Credit strengths

Presence of a strong sponsor in the form of JSW Energy Limited - All the SPVs are supported by the strong credit profile of the sponsor, underpinned by its large scale of operations and a diversified business profile. JSWEL is in the business of power generation and transmission with presence across multiple states and a power generation capacity of 16.41 GW (operational + under-construction), with 12.54-GW renewable generation capacity. Further, it is focused on transforming itself into a major renewable player with a target to have over 80% mix of renewables (including hydro) by FY2030 and an overall capacity of 20 GW. It enjoys strong financial flexibility from being part of an experienced and resourceful promoter group.

Benefits of being part of a co-obligor structure with a well-diversified wind and solar portfolio - The company benefits from being part of a cash pooling mechanism and having cross-default linkages with 14 other SPVs of the group, wherein surplus cash from any of the 15 SPVs can be used to meet the shortfall in debt servicing of any other SPV in this pool. This 15-SPV pool is a well-diversified portfolio of wind and solar assets aggregating to 1.45 GW, with presence across nine states.

Revenue visibility from long-term PPAs at a fixed tariff - The SPVs have long-term power purchase agreements (PPAs) with state distribution utilities (discoms), PTC India Limited and commercial & industrial (C&I) customers, which provides revenue visibility and limits the demand and tariff risks.

Satisfactory generation performance - The generation performance of the portfolio remained satisfactory and improved on a year-on-year (YoY) basis in FY2024. The PLF of the wind portfolio improved to 22.2% in FY2024 from 20.8% in FY2023, while the PLF for the solar portfolio rose to 20.5% in FY2024 from 19.7% in FY2023. The improvement in the generation performance was driven by the steps taken by the management post-acquisition, which mainly included initiating the required repair/maintenance activity primarily for the WTGs (wind turbine generator), leading to improved machine availability, strengthening of the balance of plant/system, optimum tracker availability for the solar panels, better planning for the availability of spares and renegotiation of the performance parameters with the O&M contractors.

Comfortable debt coverage metrics of the pool - The debt coverage metrics for the pool are expected to be adequate, supported by long-term PPAs at reasonable tariffs for majority of the capacity, the long tenure of the project debt and competitive interest rates. Further, the cumulative DSCR for the pool of 15 SPVs is expected to be comfortable at over 1.35x over the debt tenure.

Credit challenges

Sensitivity of debt metrics to energy generation - The debt metrics of the power projects remain sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, any adverse variation in the weather conditions and/or equipment performance may impact the PLF and consequently the cash flows. Also, the performance of the wind assets had remained subdued in the past owing to low machine availability amid inadequate maintenance activity. Nonetheless, post takeover, the new management has undertaken rectification measures which has improved the operational performance of the assets.

Counterparty credit risk due to exposure to state discoms having moderate credit profiles - The portfolio remains exposed to counterparty credit risks due to high exposure to the state discoms of Telangana, Rajasthan, Karnataka and Andhra Pradesh, which have modest credit profiles. There have been delays in receiving payments from these discoms in the past, especially Telangana, Andhra Pradesh and Maharashtra. However, this is offset by the presence of strong customers such as PTC India Limited, Gujarat discoms and C&I customers (~30% of the portfolio). Moreover, comfort can be drawn from the improvement of payments following the implementation of late payment surcharge (LPS) rules in June 2022. The average receivable position stood at around three months for the portfolio as of June 2024.

Weak tariff competitiveness of the pool - The competitiveness of the tariff offered by the projects under the portfolio remains modest with 41% of the portfolio having tariffs above Rs. 5.0 per unit. These include wind projects tied up under the erstwhile feed-in tariff regime and solar projects awarded prior to 2016, wherein the tariffs were relatively high due to high capital costs. This exposes the projects to the risk of grid curtailment as seen in Andhra Pradesh in the past. Nonetheless, these instances have reduced recently following the directives from the regulators and courts on strict compliance with the terms of the PPA and grid code. As a result, the portfolio projects are operating with high grid availability, except for a few instances of maintenance activity.

Exposure to interest rate movement - The pool's debt coverage metrics remain exposed to the variation in interest rates because of a leveraged capital structure, the single-part nature of the fixed tariff in the PPAs and floating interest rates.

Regulatory challenges associated with scheduling and forecasting framework - The pool's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for solar and wind energy projects, given the variable nature of energy generation. The risk is more prominent for wind power projects (~71% of the portfolio) compared to solar power projects.

Liquidity position: Adequate

The pool's liquidity position is supported by adequate cash flow from operations in relation to the debt servicing obligations and the debt service reserve account (DSRA) equivalent to one quarter of interest and principal obligations. Also, the recovery of past dues under the instalment scheme and an expected improvement in generation will support the cash flow from operations. This, along with the available cash balances, is expected to be adequate to meet the debt repayment obligation of Rs. 438.58-446.26 crore over FY2025-FY2026. The pool had healthy free cash and bank balances of Rs. 484.43 crore and DSRA balances of Rs. 228.16 (one quarter) as of August 2024.

Rating sensitivities

Positive factors - ICRA could upgrade the pool's rating if the generation performance of the wind and solar assets in the pool improves, along with the continuation of timely payments from the offtakers, thereby strengthening their debt coverage metrics. Also, the rating could improve if the credit profile of its ultimate parent, JSWEL, improves.

Negative factors - The rating could be downgraded if the generation performance of the assets in the pool deteriorates, thereby adversely impacting their debt coverage metrics. A specific credit metric for downgrade includes the cumulative DSCR on the external debt for the pool of 15 SPVs falling below 1.25 times. Further, any significant delays in receiving payments from the offtakers adversely impacting the pool's liquidity profile would be a negative factor. Also, a weakening of the credit profile of JSWEL, or any change in linkages/support philosophy between the parent and the pool would be the negative factors.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) Policy on Provisional Ratings Power - Solar Power - Wind
Parent/Group support	Parent/Group Company: JSWEL; ICRA expects JSWEL to be willing to extend financial support to the pool, if required, given the business linkages, strategic importance and the willingness shown by the parent to support the companies
Consolidation/Standalone	For arriving at the rating, ICRA has considered consolidated financials of the 15 cash pooling SPVs listed in Annexure II

Pending actions/documents required to be completed for conversion of provisional rating into final

The assigned rating is provisional and would be converted into final upon execution of:

1. Execution of the co-obligor agreement with other SPVs of the group

Validity of the provisional rating

If the pending actions/ documents are not completed within 180 days (validity period), ICRA would review the provisional rating. For further details, refer to ICRA's Policy on Provisional Ratings available at www.icra.in.

Risks associated with the provisional rating

In case the pending actions/documents are not completed by the entity within 180 days (validity period), the provisional rating will be converted into final upon the review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in the absence of the pending actions/documents (as disclosed earlier in the rationale).

About the company

MVSPL was incorporated by the Mytrah Group in March 2015. The company owns and operates 120.1-MW wind power projects in the Jaisalmer district (Nidhi-90.1-MW) of Rajasthan and the Mandsaur (Nipaniya-30-MW) district of Madhya Pradesh. The projects commissioned operations in January 2016 (Nipaniya) and March 2016 (Nidhi). The Nidhi (90.1-MW) project has 25-year PPAs signed with JVVNL and AVVNL for a capacity of 62.9 MW, with the rest of the capacity of ~27 MW is sold in the short-term market. The Nipaniya (30-MW) project has a 25-year PPA signed with MPPMCL. In March 2023, the projects were acquired by JSWEL from the Mytrah Group in a 100% stake sale. The company is now fully held by JSW Neo Energy Limited, a 100% subsidiary of JSWEL.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	84.15	145.33
PAT	-34.83	37.20
OPBDIT/OI	67.95%	86.80%
PAT/OI	-41.39%	25.60%
Total outside liabilities/Tangible net worth (times)	146.97	5.22
Total debt/OPBDIT (times)	11.35	4.46
Interest coverage (times)	0.73	2.27

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Consolidated – 15 SPVs of the pool	FY2023	FY2024
Operating income	1,191.11	1,279.50
PAT	-409.92	120.27
OPBDIT/OI	51.41%	82.05%
PAT/OI	-34.41%	9.40%
Total outside liabilities/Tangible net worth (times)	7.26	4.07
Total debt/OPBDIT (times)	16.28	7.03
Interest coverage (times)	0.70	1.42

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025) Amount Rated (Rs Crore)	Oct 09, 2024	Chronology of rating history for the past 3 years FY2024 Date	FY2024 Rating	FY2023 Date	FY2023 Rating	FY2022 Date	FY2022 Rating
Term loan	Long-Term	589.30	Provisional [ICRA]A+ (Stable)	27-Sep-23	Provisional [ICRA]A+ (Stable)	-	-	-	-
Working capital demand loan	Long-Term	51.81	Provisional [ICRA]A+ (Stable)	27-Sep-23	Provisional [ICRA]A+ (Stable)	-	-	-	-
Unallocated Limits	Long-Term	0.00	-	27-Sep-23	Provisional [ICRA]A+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based - Term loan	Simple
Long term – Working capital demand loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2016	-	Jun-2037	589.30	Provisional [ICRA]A+ (Stable)
NA	Working capital demand loan	-	-	-	51.81	Provisional [ICRA]A+ (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Mytrah Akshaya Energy Private Limited (MAKSEPL)	-	Full Consolidation
Mytrah Aadhya Power Private Limited (MAADPPL)	-	Full Consolidation
Mytrah Abhinav Power Private Limited (MABHPPL)	-	Full Consolidation
Mytrah Aakash Power Private Limited (MAPPL)	-	Full Consolidation
Mytrah Adarsh Power Private Limited (MADPPL)	-	Full Consolidation
Mytrah Agriya Power Private Limited (MAGRPPL)	-	Full Consolidation
JSW Advaith Power Private Limited (JAPPL)	-	Full Consolidation
Mytrah Vayu Urja Private Limited (MVUPL)	-	Full Consolidation
Bindu Vayu Urja Private Limited (BVUPL)	-	Full Consolidation
Mytrah Vayu (Pennar) Private Limited (MVPPL)	-	Full Consolidation
Mytrah Vayu (Krishna) Private Limited (MVKPL)	-	Full Consolidation
Mytrah Vayu (Manjira) Private Limited (MVMPL)	-	Full Consolidation
Mytrah Vayu (Godavari) Private Limited (MVGPL)	-	Full Consolidation
Mytrah Vayu Som Private Limited (MVSPL)	-	Full Consolidation
Mytrah Vayu Sabarmati Private Limited (MVSbPL)	-	Full Consolidation

Note: ICRA has consolidated financials of the 15 SPVs basis the presence of a cash-pooling mechanism among these SPVs as mentioned in the facility agreements/sanction letters. However, at present, Mytrah Vayu Som Private Limited (MVSPL) and Mytrah Agriya Power Private Limited (MAGRPPL) are not part of the co-obligor agreement. These two entities are expected to be a part of the co-obligor agreement with the other 13 SPVs shortly.

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Rachit Mehta
+91 22 6169 3328
rachit.mehta2@icraindia.com

Rishi S Tekchandani
+91 79 6923 3059
rishi.tekchandani@icraindia.com

Menka Sabnani
+91 79 6923 3003
menka.sabnani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches