

February 03, 2023

Axis Wind Farms (Rayalaseema) Private Limited: Rating on the new loan facility confirmed as final and upgraded to [ICRA]A- (Stable); rating upgraded & withdrawn for the refinanced loan facilities

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Term loan	513.63	-	[ICRA]A- (Stable); upgraded from [ICRA]BBB (Stable); Withdrawn
Long term – Fund-based working capital facilities	45.00	-	[ICRA]A- (Stable); upgraded from [ICRA]BBB (Stable); Withdrawn
Unallocated	50.37	-	[ICRA]A- (Stable); upgraded from [ICRA]BBB (Stable); Withdrawn
Long term - Fund based – Term loan	552.00	552.00	Provisional [ICRA]BBB+ (Stable) confirmed as final and upgraded to [ICRA]A- (Stable)
Total	1161.00	552.00	

*Instrument details are provided in Annexure-1

Rationale

ICRA has upgraded the rating assigned to the new bank loan facility of Axis Wind Farms (Rayalaseema) Private Limited (AWFRPL) from Provisional [ICRA]BBB+ (Stable) to [ICRA]A- (Stable) and confirmed the rating as final. The finalisation of the rating follows execution of the common loan agreement and sponsor support agreement along with the creation of the required two quarter debt service reserve (DSRA). While the signing of the trust & retention account (TRA) agreement is pending, the existing TRA is being used by lender for the new facility, who was also the lender under the earlier loan facility. This arrangement would be in place till the signing of the new TRA. ICRA has also upgraded the rating on the earlier bank loan facilities of the company to [ICRA]A- (Stable) from [ICRA]BBB (Stable) and has withdrawn the ratings at the request of the company and based on the no due certificates from the lenders.

The rating upgrade for AWFRPL favourably factors in the strengthening of the liquidity position of the company with the correction in receivables from its sole off-taker, Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL), creation of two quarter DSRA in the form of Standby Letter of Credit (SBLC) by the sponsor and a Rs. 50 crore working capital facility availed in January 2023. The company is recovering the past dues from APSPDCL through 12-month instalments, of which, six has been received as of January 2023. This is under the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 (LPS) notified by Ministry of Power, Government of India in June 2022. Also, the company is receiving payments for the bills raised post June'2022 in a regular manner with dues cleared for July'22, August'22 and October'22 as of January 2023, compared to the significant delays seen prior to June 2022.

The rating also factors in the presence of a 25-year power purchase agreement (PPA) with APSPDCL at a feed-in tariff of Rs. 4.84 per unit for its 105-MW wind power project, thus limiting the demand and pricing risks. ICRA takes note of the favourable resolution of the tariff issue faced by wind and solar power generators in Andhra Pradesh, with the High Court of Andhra Pradesh (APHC) issuing an order in March 2022, directing the distribution utilities (discoms) of Andhra Pradesh to adhere to the terms of the PPA and make payments at the full PPA tariff.

The rating also factors in the company's financial flexibility (in terms of timely access to capital) because of the presence of a strong sponsor – the Brookfield Group. The Brookfield Group has a strong track record in operating renewable energy assets

across multiple geographies. Further, ICRA takes comfort from the executed sponsor undertaking from Brookfield for the new term loan facility, for infusing funds in case of shortfall in Debt Service Reserve to meet operating and maintenance costs or future capex if any as well as debt resizing to restore the base case business plan, if the tariff is reduced from Rs 4.84 per unit. ICRA draws comfort from the recent refinancing of the project debt, with a reduction in the interest rate to 8.95% from the current level of 12.25%, which is expected to improve the debt coverage metrics, going forward.

The rating is however constrained by the exposure to a single counterparty, APSPDCL, which has a modest financial profile. While the receivable position has witnessed a significant reduction since August 2022, the overall receivable position continues to remain high at Rs. ~113.5 crore as on January 25, 2023. The timely receipt of ongoing bills from APSPDCL on a sustained basis and reconciliation of the variation in recovery of past dues, remains the key monitorable for AWRPL. The rating is also constrained by the vulnerability of the revenues and cash flows to seasonality and variation in wind power density across the years, owing to the single-part nature of the tariff under the PPA with APSPDCL. The rating is further tempered by the geographic concentration of the project at a single location. Also, the leveraged capital structure and fixed tariff of the project, exposes the company to the variations in interest rates on project debt. The generation performance over the past three years was constrained by instances of grid curtailments and relatively weak wind season. Nonetheless, the generation performance has improved in 8M FY2023, compared to 8M FY2022 and 8M FY2021. A sustainable improvement in generation performance remains important for the company.

The Stable outlook on the rating for the bank loan facilities of AWRPL factors in the revenue visibility with the presence of long-term PPA, and the improving receivable position with the realisation of dues under the instalment scheme.

Key rating drivers and their description

Credit strengths

Long-term power purchase agreement with APSPDCL – AWRPL has signed a long-term PPA of 25 years with APSPDCL at a fixed tariff rate, which provides revenue visibility for the company and limits the demand and tariff risks.

Favourable resolution of tariff issue; discoms are clearing the past dues through 12-month instalments - AWRPL along with other renewable IPPs received a favourable verdict from the High Court of Andhra Pradesh (APHC) in March 2022 on a tariff issue under the PPAs signed with Andhra Pradesh discoms. The APHC set aside the order issued by the single bench on payment of interim tariff and directed the discoms to pay the full tariff. The discoms are clearing the outstanding dues as of June 2022 through 12-month instalments since August 2022 and the company has received six instalments so far.

Improved generation performance in 8M FY2023 - The generation performance of the 105-MW wind power project of AWRPL has improved in 8M FY2023, with PLF at 32.16% against 28.97% in 8M FY2022, led by a reduction in instances of grid curtailment. The PLF in FY2021 and FY2022 was constrained by instances of grid curtailments and a weaker wind season. While the improvement in the current fiscal remains a positive, the sustainability of the same remains key for the company.

Strong financial flexibility with presence of Brookfield Renewable Partners LP as the sponsor group - The presence of a strong sponsor - Brookfield group - is expected to help the company in accessing additional capital in case of a funding requirement. In November 2019, the Brookfield Group (via its investment holding company BIF III FVCI Holdings India I Pte. Ltd and Axis Wind Farms (Anantapur) Private Limited) signed a sponsor undertaking which mentions that the group would infuse additional funds to resize the debt to maintain a base case business plan, if the tariff is reduced from the existing PPA tariff of Rs. 4.84/Kwh and to support the working capital requirements of AWRPL. Further, a similar sponsor undertaking has been signed by Brookfield for the new term loan facility, which states that in case of inadequacy of cash flows to meet the shortfall under DSRA, sponsor shall infuse additional funds, without any recourse to the assets of the project, to meet any O&M cost or any future capex. The company received support from the sponsor in FY2022 in the form of Rs. 9.50 crore optionally convertible debentures (OCDs).

Credit challenges

Counterparty risk arising out of exposure to a single discom in Andhra Pradesh with a modest financial profile; receivable position expected to moderate in the next 7-8 months - The long-term PPA with APSPDCL exposes AWRPL to the counterparty credit risk of being exposed to a single discom, which has a moderate financial profile. The financial profile of the discom is constrained by the high subsidy dependence and inadequate tariffs in relation to the cost of supply. The company's receivable position remained high due to the receipt of payments from APSPDCL at an interim rate of Rs. 2.43 per unit (since February 2019) compared to the PPA tariff of Rs. 4.84/Kwh, constraining the company's liquidity position. Following the AP High Court's order in March 2022 and notification of the late payment surcharge rules by the Ministry of Power, the discom has started clearing the outstanding dues as of June 2022, through an instalment scheme since August 2022. The company has received six instalments so far, aggregating to Rs 81.2 crore, improving the liquidity position of the company. Nonetheless, the receivables remain high for the company at ~Rs 113.5 crore as on January, 2023. Therefore, the receipt of the balance instalments for the past over dues, the timely clearance of the ongoing monthly bills and reconciliation of the variation in recovery of past dues, remain key to moderating the receivable position on a sustained basis.

Operating risks associated with exposure to wind conditions and geographic concentration of the project – The generation by wind farm and in turn the cash flows of the project are susceptible to seasonality and the variations in wind power density, given the one-part tariff structure of the PPA with APSPDCL. This risk is amplified by the geographic concentration of the asset as the entire capacity is at a single location.

Interest rate risk - The company's debt coverage metrics remain sensitive to the movements in interest rate on the project debt, given the single part fixed tariff of the project and a leveraged capital structure. Nonetheless, the interest rate has reduced to 8.95% from 12.25% earlier following the recently completed refinancing.

Regulatory challenges of implementing scheduling & forecasting framework - The regulatory challenges associated with the implementation of scheduling & forecasting framework for wind power projects in Andhra Pradesh, as notified by SERC in the state, pose a risk.

Liquidity position: Adequate

AWRPL's liquidity position is expected to remain adequate, supported by the realisation of past dues from APSPDCL under the instalment scheme and available liquidity. Moreover, Debt Service Reserve (DSR) has been created for the company in the form of sponsor issued irrevocable Standby Letter of Credit amounting Rs. 43.19 crore. The unencumbered cash and bank balances, unutilised working capital limit and DSRA available with the company as on January 25, 2023, is likely to cover its funding requirements for debt servicing over the next 36 months.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of a sustainable improvement in payment cycle from the offtaker and if the generation level improves on a sustained basis, leading to healthy credit metrics.

Negative factors – Pressure on AWRPL's rating could arise if any significant under-performance in generation adversely impacts its debt coverage metrics. Any further build-up in receivables from the offtaker adversely impacting the liquidity position of the company would be another negative trigger. Moreover, any change in financial flexibility/liquidity support from Brookfield (sponsor) to meet the funding requirements would be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Energy Projects Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

AWFRPL operates a 105-MW wind power project at Kuderu and Pampanoor Thanda in the Anantapur district of Andhra Pradesh. The wind power plant commenced commercial operations in various phases from March 2018 to September 2018. AWFRPL has signed a long-term PPA with APSPDCL valid for a period of 25 years at a fixed tariff of Rs. 4.84 per unit. The project was developed by Axis Energy Ventures India Private Limited (AEVIPL), with WTGs supplied and installed by Suzlon Energy Limited and the balance plant work was undertaken by other promoter group entities. The appraised project cost is Rs. 784 crore, funded through a debt of Rs. 564 crore and equity of Rs. 220 crore.

In July 2019, AWFRPL was acquired by the Brookfield Group, which operates one of the world's largest renewable power platforms with 22,680-MW generation capacity across hydro, wind, solar, distributed generation and storage. AWFRPL was acquired by Brookfield Renewable Partners LP through an investment vehicle BIF III FVCI Holdings India I Pte Limited and an associate entity Axis Wind Farms (Anantapur) Private Limited. AWFRPL is a 100% subsidiary of Axis Wind Farms (Anantapur) Private Limited.

Key financial indicators

AWFRPL Standalone	FY2021	FY2022
Operating income (Rs. crore)	109.3	107.6
PAT (Rs. crore)	13.5	-15.25
OPBDIT/OI (%)	94.8%	70.30%
PAT/OI (%)	12.4%	-14.17%
Total outside liabilities/Tangible net worth (times)	4.1	4.4
Total debt/OPBDIT (times)	6.4	8.6
Interest coverage (times)	1.7	1.3

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	Amount Rated (Rs. crore)	Amount Outstanding as of Jan 25, 2023 (Rs. crore)	Current Rating (FY2023)		Chronology of Rating History for the past 3 years			
				Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		
							Feb 03, 2023	Nov 01, 2022	Nov 23, 2021
							Aug 31, 2020	Oct 04, 2019	Aug 20, 2019 Jul 18, 2019 Jul 10, 2019
1 Term loans	Long Term	513.63	-	[ICRA]A-(Stable); withdrawn	[ICRA]BBB (Stable)	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB-(Negative)	[ICRA]BBB-&
2 Working Capital Loan	Long Term	45.00	-	[ICRA]A-(Stable); withdrawn	[ICRA]BBB (Stable)	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB-(Negative)	[ICRA]BBB-&
3 Unallocated	Long Term	50.37	-	[ICRA]A-(Stable); withdrawn	[ICRA]BBB (Stable)	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB-(Negative)	[ICRA]BBB-&
4 Term Loan	Long Term	552.00	544.5	[ICRA]A-(Stable)	Provisional [ICRA]BBB+ (Stable)	-	-	-	-

& - rating on watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Fund-based – Working Capital Facilities	Simple
Unallocated	NA

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 / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Feb 2018	-	Sep 2036*	513.63	[ICRA]A- (Stable); withdrawn
NA	Working Capital Loan	-	-	-	45.00	[ICRA]A- (Stable); withdrawn
NA	Unallocated	-	-	-	50.37	[ICRA]A- (Stable); withdrawn
NA	Term Loan	Sept 2022	-	June 2038	552.00	[ICRA]A- (Stable)

Source: Company; *post availing 6-month moratorium from March 2020 to August 2020; Facilities fully repaid

Please click [here](#) to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545 304
sabyasachi@icraindia.com

Vikram V
+91 40 4547 4829
vikram.v@icraindia.com

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

Mahesh Patil
+91 22 6169 3379
mahesh.patil@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@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:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.