September 27, 2023

# Bindu Vayu Urja Private Limited: Rating assigned

## Summary of rating action

| Instrument* | Current rated amount (Rs. crore) | Rating action |
|---|---|---|
| **Long term – Fund based - Term loan** | 644.17 | [ICRA]A (Stable); assigned |
| **Long term – Fund based – Working capital demand loan** | 74.31 | [ICRA]A (Stable); assigned |
| **Long term – Unallocated** | 5.63 | [ICRA]A (Stable); assigned |
| **Total** | **724.11** | |

**Instrument details are provided in Annexure-1*

## Rationale

The rating assigned to Bindu Vayu Urja Private Limited (BVUPL) factors in the managerial and financial support from a strong ultimate parent – JSW Energy Limited (JSWEL; rated [ICRA]AA (Stable)/[ICRA]A1+) - which acquired the entity from the Mytrah Group in March 2023. JSWEL's credit profile is supported by its large scale of operations and a diversified business profile with presence across thermal power, hydro and renewable power generation, power transmission and power trading. The operating portfolio of the group is expected to reach 9.8 GW by March 2025, with renewables having a 60% share. It enjoys strong financial flexibility by being part of an experienced and resourceful promoter group.

Further, ICRA takes note of the benefits available to BVUPL from being part of a cash pooling mechanism and the 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 for any of the SPVs in this pool. The wind and solar portfolio under these 15 SPVs aggregates to 1.45 GW with a wind solar mix of 71:29; it is 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 PLF performance of wind assets has remained modest over the past three years owing to inadequate maintenance activity and subdued wind season. Post takeover, the new management is undertaking rectification measures, which are expected to improve the generation performance, going forward. Also, the large exposure to the state discoms having moderate financial profiles is an area of concern for these SPVs. While the recent improvement in the payment discipline of the discoms following the notification of the late payment surcharge (LPS) rules by the Ministry of Power, Government of India, is a positive, the sustainability of the same remains to be seen.

The rating for BVUPL also considers the limited demand and tariff risks for ~71% of its total wind power capacity of 179.7 MW across four locations in Maharashtra, Gujarat and Rajasthan, by virtue of its 25-year long-term PPA with Gujarat Urja Vikas Nigam Limited (GUVNL) for 52.5 MW and 20-year PPAs with Rajasthan discoms – Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) and Ajmer Vidyut Vitran Nigam Limited (AVVNL) - for 75.6 MW at fixed tariff rates. However, ~29% of BVUPL's capacity carries demand and tariff risks given that the 13-year PPAs signed for the 51.6-MW capacity with Maharashtra State Electricity Distribution Company Limited (MSEDCL) are expiring by July 2025. Nonetheless, comfort can be drawn from the strong demand prospects for renewable power projects. ICRA has factored in a moderation in tariff for this capacity from the current PPA tariff of Rs. 5.37 per unit, considering the prevailing tariffs for wind power projects.

Further, post takeover, the new management is undertaking rectification measures to improve the generation performance and optimize the cost structure. Also, the favourable refinancing undertaken by the new management has led to a reduction in interest cost. While the debt coverage metrics for the company are expected to be modest, comfort is drawn from the healthy debt coverage metrics of the 15-SPV pool with the cumulative DSCR expected to be over 1.35x over the debt tenure due to the refinancing at a lower interest rate and a revised repayment schedule.

The rating is, however, constrained by the company's cash flows and debt protection metrics being 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 tariffs are single part and fixed in nature. This constraint is partly offset by the geographic diversity of the assets. The performance of the wind assets under BVUPL has remained slightly below the P-90 estimate over the past five years. The new management is undertaking rectification measures, which is expected to improve the generation from these assets going forward.

Further, the rating is constrained by the exposure to the state discoms of Rajasthan and Maharashtra, which have moderate financial profiles and there have been large delays in the past in receiving payments. This is partly offset by the presence of GUVNL, which has a strong credit profile, as one of the offtakers. Moreover, the payment profile of the customers has significantly improved over the past 12 months following the implementation of the LPS rules. However, the sustainability of the same remains to be seen. Further, the weak cost competitiveness of the PPA tariffs for a major portion of the capacity in relation to the average power purchase cost (APPC) of the utilities exposes the project to the risk of grid curtailment in future.

ICRA notes that BVUPL's debt coverage metrics remain exposed to the interest rate movement, given the annual interest rate reset. Further, the company's operations remain exposed to the regulatory risks pertaining to the scheduling and forecasting requirements of wind power projects.

The Stable outlook on the long-term rating for BVUPL reflects the presence of long-term PPAs with the residual PPA tenure being longer than the debt tenure for a major portion of the capacity and the satisfactory generation performance of the project.

## Key rating drivers and their description

### Credit strengths

**Presence of a strong sponsor in the form of JSW Energy Limited** – BVUPL, post its acquisition by JSWEL in March 2023, is supported by the strong credit profile of the sponsor, underpinned by its large scale of operations and a diversified business profile. The operating portfolio of the group is expected to reach 9.8 GW by March 2025, with focus on increasing the share of renewable energy capacity in its overall portfolio to 60%. Further, the company 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 for any of the SPVs 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 due to long residual PPA tenure for major part of the capacity at fixed tariffs**– The company has signed a 25-year long-term power PPA with GUVNL and a 20-year PPA with Rajasthan discoms –JdVVNL and AVVNL - at a fixed tariff rate, thereby limiting demand and tariff risks for 71% of its wind capacity.

**Improved payment discipline from the offtakers** – The company has witnessed large delays in the past in receiving payments from MSEDCL and the Rajasthan discoms. Nonetheless, the payment profile of these offtakers has improved over the past 12 months with a significant reduction in the collection period following the implementation of the LPS rules. The improvement in payment discipline by the state discoms is viewed positively. However, the sustainability of the same remains to be seen.

**Comfortable debt coverage metrics of the pool** – The debt coverage metrics for the company are expected to be modest. Nonetheless, the cumulative DSCR for the pool of 15 SPVs is expected to be comfortable at over 1.35x over the debt tenure, supported by the availability of long-term PPA for majority of the portfolio, the long tenure of the project and a competitive interest rate.

## Credit challenges

**Sensitivity of debt metrics to energy generation** – The debt metrics for the wind power project remains sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or equipment performance may impact the PLF and consequently the cash flows. However, the geographic diversity of the assets partly offsets the generation risk. The average PLF for the project over the last five years is slightly lower than the average P-90 estimate. Nonetheless, rectification measures are being taken by the new management to improve the generation performance.

**Counterparty credit risk due to exposure to buyers having modest financial profile for part of its capacity** – The company remains exposed to counterparty credit risks due to the exposure to offtakers such as MSEDCL and the Rajasthan discoms – JdVVNL and AVVNL - which have modest financial profiles. This was also reflected in the large payment delays witnessed in the past. Nonetheless, the payment cycle has significantly improved over the past 12 months for these discoms. However, the sustainability of the same remains to be seen. The counterparty risk is partly offset by the presence of GUVNL, which has a strong credit profile, as one of the offtakers.

**Demand and tariff risks with expiry of PPAs for part capacity in the near term –** The 13-year PPAs with MSEDCL accounting for ~29% of BVUPL's capacity are expiring by July 2025, leading to potential demand and tariff risk. Nonetheless, comfort can be drawn from the strong demand prospects for renewable power projects. However, ICRA has factored in a moderation in tariff for this capacity from the current PPA tariff of Rs. 5.37 per unit, considering the prevailing tariffs for wind power projects.

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

**Regulatory challenges associated with scheduling and forecasting framework** – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for wind energy projects, given the variable nature of wind energy generation.

## Liquidity position: Adequate

BVUPL's liquidity position is expected to be adequate, supported by sufficient cash flows from operations in relation to the debt servicing obligations and the existing liquidity position. ICRA expects the company to generate cash flows from operations of over Rs. 67.0 crore in FY2024 and FY2025, which along with the available cash balances would be sufficient to meet the annual repayment obligation of Rs. 65-68 crore in FY2024 and FY2025. The company has also created a debt service reserve account (DSRA) equivalent to one quarter of interest and principal obligations. The company had cash and bank balances of Rs. 61.2 crore, including DSRA, as on July 31, 2023.

## Rating sensitivities

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

**Negative factors –** The rating could be downgraded in case of a deterioration in the generation performance of BVUPL or the other assets in the pool, thereby adversely impacting their debt coverage metrics. A specific credit metric that could lead to a 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 company's or the pool's liquidity profile would be a negative factor. Also, any weakening of the credit profile of JSWEL, or any change in linkages/support philosophy between the parent and BVUPL would be negative factors.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | [Corporate Credit Rating Methodology]<br>[Rating Methodology for Wind Energy Projects] |
| **Parent/Group support** | The rating assigned factors in the presence of cash surplus sharing and cross-default linkages among 15 SPVs of the group - Mytrah Aakash Power Private Limited, Mytrah Aadhya Power Private Limited, Mytrah Abhinav Power Private Limited, Mytrah Advaith Power Private Limited, Mytrah Akshaya Energy Private Limited, Mytrah Agriya Power Private Limited, Mytrah Adarsh Power Private Limited, Mytrah Vayu Urja Private Limited, Mytrah Vayu (Pennar) Private Limited, Mytrah Vayu (Manjira) Private Limited, Mytrah Vayu (Godavari) Private Limited, Mytrah Vayu Som Private Limited, Bindu Vayu Urja Private Limited, Mytrah Vayu (Sabarmati) Private Limited and Mytrah Vayu (Krishna) Private Limited.<br><br>Also, the rating factors in the implicit support from the ultimate holding company, JSWEL, with support expected to be forthcoming in case of any cash flow mismatch.<br><br>The rating for BVUPL has been arrived at by following the analytical steps as given below:<br>1. An assessment of the standalone credit profile of BVUPL<br>2. An assessment of the Group's credit profile by undertaking a consolidated assessment of the 15 SPVs in view of the linkages among them, and then further notching up the Group's rating based on expectations of implicit support from the holding company, JSWEL<br>3. The final rating for the bank facilities of BVUPL is arrived at by suitably notching up the standalone rating after duly considering the Group's rating and the linkages between the standalone entity and the Group |
| **Consolidation/Standalone** | Standalone |

## About the company

BVUPL was incorporated by the Mytrah Group in 2011. The company owns and operates wind power projects across four locations in Maharashtra, Gujarat and Rajasthan, aggregating 179.7 MW capacity. The projects were commissioned between December 2011 and July 2012. The company has signed long-term PPAs with Maharashtra, Gujarat and Rajasthan discoms covering the entire capacity. In March 2023, the project was acquired by JSWEL from the Mytrah Group in an 100% sale of stake. The company is now fully held by JSW Neo Energy Limited, a 100% subsidiary of JSWEL.

## Key financial indicators

| BVUPL Standalone | FY2022 | FY2023 |
|---|---|---|
| **Operating income (Rs. crore)** | 148.10 | 140.52 |
| **PAT (Rs. crore)** | -0.07 | -17.36 |
| **OPBDIT/OI (%)** | 79.22% | 69.29% |
| **PAT/OI (%)** | -0.05% | -12.36% |
| **Total outside liabilities/Tangible net worth (times)** | 1.16 | 2.22 |
| **Total debt/OPBDIT (times)** | 5.60 | 12.39 |
| **Interest coverage (times)** | 1.82 | 1.17 |

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

*NOTE: Debt includes promoter contribution in the form of subordinated debt*

**Status of non-cooperation with previous CRA: None**

**Any other information: None**

## Rating history for past three years

| | Instrument | Current rating (FY2024) | | | | Chronology of rating history for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount rated (Rs. crore) | Amount outstanding as on Aug 31, 2023 (Rs. crore) | Date & rating | Date & rating in FY2023 | Date & rating in FY2022 | Date & rating in FY2021 |
| | | | | | Sep 27, 2023 | - | - | - |
| 1 | Term loan | Long-Term | 644.17 | 606.41 | [ICRA]A (Stable) | - | - | - |
| 2 | Working capital demand loan | Long-Term | 74.31 | - | [ICRA]A (Stable) | - | - | - |
| 3 | Unallocated | Long-Term | 5.63 | - | [ICRA]A (Stable) | - | - | - |

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| **Term loan** | Simple |
| **Working capital demand loan** | 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** | Mar 2023 | - | Dec 2033 | 644.17 | [ICRA]A (Stable) |
| NA | **Working capital demand loan** | - | - | - | 74.31 | [ICRA]A (Stable) |
| NA | **Unallocated** | - | - | - | 5.63 | [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 – Not applicable

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## About ICRA Limited:

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