ICRA

September 27, 2023

Mytrah Abhinav Power Private Limited: Rating assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Term loan	544.20	[ICRA]A+ (Stable); assigned
Long term – Fund based – Working capital demand loan	28.76	[ICRA]A+ (Stable); assigned
Long term – Unallocated	6.12	[ICRA]A+ (Stable); assigned
Total	**579.08**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings assigned to Mytrah Abhinav Power Private Limited (MABHPPL) 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 MABHPPL 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 a 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 a moderate financial profile is an area of concern for these SPVs. While the recent improvement in the payment discipline of the discoms following the notification of 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 MABHPPL also considers the limited demand and tariff risks for its solar power projects of 86.56 MW (AC) in Telangana, by virtue of its 25-year long-term PPAs with Southern Power Distribution Company of Telangana Limited (TSSPDCL) for 71.56 MW and with Northern Power Distribution Company of Telangana Limited (TSNPDCL) for 15 MW at an average fixed tariff of Rs. 5.7 per unit. Moreover, comfort is drawn from the satisfactory generation performance demonstrated by this project since full commissioning in March 2018. Post takeover, the new management is undertaking rectification measures including DC upsizing to improve the generation performance and optimize the cost structure. Further, the favourable refinancing undertaken by the new management has led to a reduction in interest cost. While the project leverage remains high, the debt coverage metrics for the company are expected to be adequate with the cumulative debt service coverage ratio (DSCR) on the external debt estimated at ~1.2x over the debt tenure. Moreover, 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 amplified by the geographic concentration of the assets, with all the seven assets under the company located in Telangana.

The rating is also constrained by the exposure to Telangana state discoms, which have modest financial profiles and there have been large delays in the past in receiving payments. Nonetheless, the payment profile has significantly improved over the past 12 months with the collection period reducing to ~ 75 days 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 tariff in relation to the average power purchase cost (APPC) of the distribution utilities exposes the project to risk of grid curtailment in future.

ICRA notes that MABHPPL'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 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 for MABHPPL reflects the presence of long-term PPAs, an expected improvement in the generation performance following the rectification measures undertaken by the new sponsor and adequate debt coverage metrics.

While assigning an investment grade rating for MABHPPL, ICRA has made an exception to the 365-day curing policy, post the clearance of defaults. This exception factors in the change in the company's ownership and management. This is in line with the exceptions provided in ICRA's policy on default recognition.

Key rating drivers and their description

Credit strengths

Presence of a strong sponsor in the form of JSW Energy Limited – MABHPPL, 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 a 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-term PPAs at fixed tariffs – The company has signed long-term PPAs with Telangana state discoms for the entire project capacity of 86.56 MW at an average fixed tariff of Rs. 5.7 per unit for a tenure of 25 years, limiting demand and tariff risks.

Satisfactory generation performance and improved payment discipline from the offtakers – The generation performance of the solar power project has been satisfactory over the last five years with the average PLF remaining above the P-90 PLF estimate. ICRA takes note that the new management is undertaking rectification measures, including DC upsizing, which are expected to improve the generation performance, going forward. In addition, the recent improvement in the payment discipline of the state discoms following the LPS rules 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 adequate with the cumulative DSCR on the external debt estimated at ~1.2x over the debt tenure, supported by the long-term PPAs at reasonable tariffs, the long tenure of the project debt and a highly competitive interest rate. 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

Geographic concentration of assets in same state; sensitivity of debt metrics to energy generation – The debt metrics for the solar power project remains sensitive to the PLF level, given the one-part tariff structure under the PPAs. Hence, any adverse variation in the weather conditions and/or equipment performance may impact the PLF and consequently the cash flows. The geographic concentration of the assets in the same state amplifies the generation risk. Nonetheless, comfort is drawn from the satisfactory generation performance demonstrated by this project over the last five years.

Counterparty credit risk due to exposure to buyers having modest financial profiles – The company remains exposed to counterparty credit risks due to its exposure to Telangana state discoms - TSNPDCL and TSSPDCL. The state discoms have modest financial profiles, and this is reflected in the large payment delays witnessed in the past. Nonetheless, following the implementation of the LPS rules, the payment cycle has improved significantly over the past 12 months with the collection period reducing to ~75 days. However, the sustainability of the same remains to be seen.

Weak tariff competitiveness – The average project tariff of Rs. 5.70 per unit is higher compared to the APPC for Telangana state discoms. Further, it is higher than the tariffs discovered recently in the sector of about Rs. 3.0 per unit and does not offer any discount on the net grid tariff (grid tariff adjusted for open access charges) prevailing in the state. This makes the tariff offered by the project less competitive, leading to the risk of grid curtailment in future.

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 tariff 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 solar energy projects, given the variable nature of solar energy generation.

Liquidity position: Adequate

MABHPPL's liquidity position is expected to be adequate, supported by sufficient cash flows from operations in relation to the debt servicing obligations and existing liquidity position. ICRA expects the company to generate cash flows from operations of over Rs. 43.0 crore in FY2024 and FY2025, against an annual repayment obligation of ~Rs. 16-23 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. 70.6 crore, including DSRA, as on July 31, 2023.

Rating sensitivities

Positive factors – ICRA could upgrade MABHPPL'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 MABHPPL 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 MABHPPL would be negative factors.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Rating Methodology for Solar Energy Projects](#) [Policy on Default Recognition](#)
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. 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. The rating for MABHPPL has been arrived at by following the analytical steps as given below: 1. An assessment of the standalone credit profile of MABHPPL 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 3. The final rating for the bank facilities of MABHPPL 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

MABHPPL was incorporated by the Mytrah Group in January 2016. The company owns and operates seven solar power assets in Telangana, aggregating 86.56-MW (AC) capacity. The assets were commissioned between June 2017 and March 2018 and have 25-year PPAs with TSSPDCL and TSNPDCL. 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

MABHPPL Standalone	FY2022	FY2023
Operating income (Rs. crore)	81.66	80.85
PAT (Rs. crore)	-15.84	-22.07
OPBDIT/OI (%)	84.77%	54.53%
PAT/OI (%)	-19.40%	-27.30%
Total outside liabilities/Tangible net worth (times)	20.44	65.24
Total debt/OPBDIT (times)	8.74	12.68
Interest coverage (times)	1.03	0.77

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	544.20	465.33	[ICRA]A+ (Stable)	-	-	-
2	Working capital demand loan	Long-Term	28.76	-	[ICRA]A+ (Stable)	-	-	-
3	Unallocated	Long-Term	6.12	-	[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	-	Mar 2039	544.20	[ICRA]A+ (Stable)
NA	**Working capital demand loan**	-	-	-	28.76	[ICRA]A+ (Stable)
NA	**Unallocated**	-	-	-	6.12	[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:

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

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