

April 03, 2024

Mytrah Vayu (Indravati) Private Limited: Rating upgraded to [ICRA]A- (Stable) and removed from Issuer Non-Cooperating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based – Term loan	915.90	819.12	Upgraded to [ICRA]A- (Stable) from [ICRA]D ISSUER NOT COOPERATING and removed from Issuer Non-Cooperating category
Long term – Fund based – Cash credit	100.00	77.82	Upgraded to [ICRA]A- (Stable) from [ICRA]D ISSUER NOT COOPERATING and removed from Issuer Non-Cooperating category
Unallocated	134.10	0.00	-
Total	1,150.00	896.94	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade for Mytrah Vayu (Indravati) Private Limited (MVIPL) factors in the timely servicing of debt obligations by the company since April 6, 2023 following the debt restructuring by its lenders and the acquisition of its 100% shareholding by JSW Neo Energy Limited (JSWNEEL), a 100% subsidiary of JSW Energy Limited {JSWEL; rated [ICRA]AA (Stable)/[ICRA]A1+} from the erstwhile sponsor, Mytrah Energy (India) Private Limited (MEIPL). Also, the rating is removed from the Issuer Not-Cooperating category following the cooperation by the company for the rating exercise. Further, the timely debt servicing by the company was supported by the recovery of overdues from its customer Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) - between August 2022 and July 2023 along with support from the new sponsor.

The rating for MVIPL factors in the managerial and financial support available from a strong ultimate parent, JSWEL. 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. The operating portfolio of the group is expected to reach 9.8 GW by 2025, with renewables having a 60% share. It enjoys strong financial flexibility by being part of an experienced and resourceful promoter group.

The rating for MVIPL considers the limited demand and tariff risks for its wind power capacity of 155.4 MW, by virtue of the 25-year long-term power purchase agreements (PPAs) with APSPDCL for 105 MW and with Jaipur Vidyut Vitran Nigam Limited (JVVNL) for 50.4 MW at a fixed tariff rate. Also, the debt restructuring approved by the lenders at the time of takeover by the new sponsor with a reduction in interest rate and an elongated repayment tenure is expected to result in adequate debt coverage metrics for the company, with the cumulative debt service coverage ratio (DSCR) on the external debt estimated at ~1.2x over the debt tenure. Moreover, the correction in receivables from APSPDCL, availability of one-quarter debt service reserve (DSRA) that shall be increased to two quarters and a working capital facility covering four months' receivables would support the liquidity profile of the company.

The company recovered the past dues from APSPDCL through 12 monthly instalments till July 2023 under the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, (LPS) notified by the Ministry of Power, Government of India, in June

2022. Also, the company is receiving payments for the bills raised after June 2022 in a regular manner, i.e. within 75 days from the date of billing. However, APSPDCL is capping the payments for the electricity generated and supplied to the normative plant load factor (PLF) of 23.5% approved under the tariff regulations, which is being contested by the wind IPPs in the state as there is no such provision under the PPA. Nonetheless, the debt sizing for MVIPL under the restructuring was arrived based on a PLF lower than 23.5%, thereby mitigating any downside risk. Moreover, the generation-based incentive (GBI) of 50 paise per unit provided by the Government of India is being retained by APSPDCL, which is challenged by the wind IPPs in the state. A favourable resolution of these issues would improve the financial profile of MVIPL. Earlier, the company, along with other wind and solar power projects in Andhra Pradesh, received a favourable resolution of the tariff issue 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 is, however, constrained by the exposure to weak counterparties, APSPDCL and JVVNL, which have modest financial profiles. While the receivable position has witnessed a significant reduction over the past 18 months, the timely receipt of the ongoing bills from APSPDCL and JVVNL on a sustained basis remains a key monitorable for MVIPL. The rating is also constrained by the vulnerability of the revenues and cash flows to the seasonality and variation in wind power density across the years owing to the single-part nature of the tariff under the PPAs. Post takeover by JSWNL, the generation performance of MVIPL has improved with an 8.6% increase in generation for the 10 months period ending January 31, 2024 on a YoY basis. While the generation performance of the company improved in FY2024 with the PLF being higher than P-90 estimate assessed by the JSW Group at the time of acquisition mainly led by the 105-MW project in Andhra Pradesh, the sustainability of the same remains to be seen. The performance of the 50.4-MW asset declined in FY2024 compared to FY2023 owing to the grid availability issues. The resolution of these issues and a sustainable improvement in PLF for this project remain important.

Further, the weak cost competitiveness of the PPA tariffs in relation to the average power purchase cost (APPC) of the state discoms exposes the project to the risk of grid curtailment in the future. Also, the leveraged capital structure and fixed tariff of the project exposes the company to variations in interest rates on the project debt. Further, the company's operations remain exposed to regulatory risks pertaining to the scheduling and forecasting requirements of wind power projects.

The Stable outlook on the rating for the bank loan facilities of MVIPL factors in the revenue visibility with the presence of long-term PPAs, improved payment discipline by the customers and adequate debt coverage metrics, along with the support available from the group.

ICRA upgraded the rating for MVIPL to investment grade prior to the elapse of the standard 365-day cooling period, following the change in ownership and management. This is in accordance with ICRA's Policy on Default Recognition, and the exceptions allowed therein.

Key rating drivers and their description

Credit strengths

Presence of a strong sponsor in the form of JSW Energy Limited – MVIPL, after its acquisition by the JSW Group in April 2023, is supported by the strong credit profile of the sponsor, its large scale of operations and a diversified business profile. The operating portfolio of the group is expected to reach 9.8 GW by 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 by being part of an experienced and resourceful promoter group. As part of restructuring, JSWNL had infused Rs 31 crore as optionally convertible debentures (OCDs) into MVIPL, which was inter-alia used for creation of one quarter DSRA.

Revenue visibility due to long-term PPAs at fixed tariffs – The company has signed long-term PPAs with APSPDCL and JVVNL for the entire project capacity of 155.4 MW at a fixed tariff of Rs. 4.83 per unit for 105 MW and Rs. 5.74 per unit for 50.4 MW, for a tenure of 25 years, limiting the demand and tariff risks.

Improved generation performance and debt restructuring at the time of acquisition expected to lead to adequate debt coverage metrics – Post takeover by JSWNL, the generation performance of MVIPL has improved with an 8.6% increase in generation for the 10 months period ending January 31, 2024 on a YoY basis. This is mainly led by the 105-MW asset in Andhra Pradesh. On the other hand, the performance of the 50.4-MW asset declined in FY2024 over FY2023 owing to grid availability issues. The resolution of these issues and an improvement in PLF for this project remain important. The improvement in the generation performance, the favourable debt restructuring with a reduction in interest rate and an elongated repayment tenure are expected to result in adequate debt coverage metrics for the company.

Comfortable liquidity profile – The liquidity profile of the company is supported by the improved payment discipline of the discoms following the notification of the LPS rules in June 2022, a one-quarter debt service reserve (DSRA) which shall be increased to two quarters and a working capital facility covering four months' receivables. The company recovered the past dues from APSPDCL through 12 monthly instalments till July 2023, thereby resulting in a significant reduction in the receivable position from the company.

Credit challenges

Sensitivity of debt metrics to energy generation – The debt metrics of the wind power projects remain 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.

Counterparty credit risk due to exposure to discoms having modest financial profiles – The company remains exposed to counterparty credit risks due to the exposure to APSPDCL and JVVNL, which have modest financial profiles, and this is reflected in the large payment delays witnessed in the past. Nonetheless, after the implementation of the LPS rules, the payment cycle has improved significantly with the collection period reducing to ~75 days. However, the sustainability of the collection trend remains to be seen.

Weak tariff competitiveness – The competitiveness of the tariff of Rs. 4.83 per unit for the Andhra Pradesh project and Rs. 5.74 per unit for the Rajasthan project remains relatively weak in relation to the APPC of the discoms. Further, they are higher than the tariffs discovered recently in the sector of about Rs. 3.0 per unit. This exposes the company to the risk of grid curtailment by the discoms.

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 and single-part nature of the fixed tariff in the PPAs. However, this is partly mitigated in the near term as the interest rate is fixed for a period of three years from the date of debt restructuring (March 2023).

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

MVIPL's liquidity position is expected to remain adequate, supported by the improved generation performance and regular realisation of payments from the customers. The company is expected to generate cash flow from operations of Rs. 58 crore in FY2025 against a debt repayment obligation of Rs. 47.95 crore. Moreover, the availability of DSRA of close to one quarter,

free cash balances of Rs. 23.86 crore as on February 29, 2024 and availability of working capital facility covering four-month receivables is expected to support the liquidity profile.

Rating sensitivities

Positive factors – ICRA could upgrade MVIPL’s rating in case of a sustained improvement in the generation performance of its wind assets, along with the timely payments from the offtakers, thereby resulting in comfortable 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 in case of a deterioration in the generation performance of MVIPL, thereby adversely impacting its debt coverage metrics. A specific credit metric for downgrade would be the cumulative DSCR on the external debt falling below 1.15 times. Further, any significant delays in receiving payments from the offtakers adversely impacting the company’s liquidity profile would be a negative factor. Also, weakening of the credit profile of JSWEL, or any change in linkages/support philosophy between the parent and MVIPL would be a trigger for downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Wind
Parent/Group support	The rating assigned to MVIPL factors in the implicit support from JSW Energy Limited
Consolidation/Standalone	Standalone

About the company

MVIPL was incorporated by the Mytrah Group in June 2012. The company owns and operates 155-MW wind power capacity, comprising 105 MW at Vajrakarur in Andhra Pradesh and 50.4 MW at Bhesada in Rajasthan. The project in Andhra Pradesh was fully commissioned in March 2016, while the project in Rajasthan was fully commissioned in December 2015. In April 2023, the company was acquired by JSW Neo Energy Limited from the Mytrah Group in an 100% stake sale. The company is now fully held by JSW Neo Energy Limited, a 100% subsidiary of JSW Energy Limited.

Key financial indicators

MVIPL (Audited)	FY2022	FY2023
Operating income (Rs. crore)	182.8	143.9
PAT (Rs. crore)	-25.8	-116.2
OPBDIT/OI (%)	86.3%	0.2%
PAT/OI (%)	-14.1%	-80.8%
Total outside liabilities/Tangible net worth (times)	355.7	-9.3
Total debt/OPBDIT (times)	6.7	3929.7
Interest coverage (times)	1.15	0.0

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 rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Apr 3, 2024	July 27, 2023	May 31, 2022	-
1 Fund-based – Term loan	Long term	819.12	819.12	[ICRA]A-(Stable)	[ICRA]D ISSUET NOT-COOPERATING	[ICRA]D ISSUET NOT-COOPERATING	-
2 Fund based – Cash credit	Long term	77.82	-	[ICRA]A-(Stable)	[ICRA]D ISSUET NOT COOPERATING	[ICRA]D ISSUET NOT COOPERATING	-
3 Unallocated	Long term	0.00	-		[ICRA]D ISSUET NOT COOPERATING	[ICRA]D ISSUET NOT COOPERATING	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based – Term loan	Simple
Long term - Fund based – Cash credit	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	Long term - Fund based – Term loan	March 2023	-	October-2040	819.12	[ICRA]A- (Stable)
NA	Long term - Fund based – Cash credit	-	-	-	77.82	[ICRA]A- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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