April 09, 2024

Mytrah Vayu (Tungabhadra) Private Limited: Rating downgraded to [ICRA]D; ISSUER NOT COOPERATING and simultaneously upgraded to [ICRA]A- (Stable) and Removed from ISSUER not 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	952.83	852.23	Downgraded to [ICRA]D; ISSUER NOT COOPERATING from [ICRA]B- (Negative) and simultaneously upgraded to [ICRA]A- (Stable) and Removed from ISSUER not cooperating category
Long term – Fund based – Cash credit	43.00	48.50	Downgraded to [ICRA]D; ISSUER NOT COOPERATING from [ICRA]B- (Negative) and simultaneously upgraded to [ICRA]A- (Stable) and Removed from ISSUER not cooperating category
Unallocated	38.17	0.00	-
Total	**1,034.00**	**900.73**	

**Instrument details are provided in Annexure-I*

Rationale

In September 2020, ICRA downgraded the rating assigned to Mytrah Vayu (Tungabhadra) Private Limited (MVTPL) to [ICRA]D from [ICRA]B- (Negative) owing to the delays in the servicing of the debt obligations caused by the significant delays in receiving payments from the customer for its 148.9-MW wind power project. Further in November 2020, the rating was moved to 'ISSUER NOT COOPERATING' category due to non-submission of monthly 'No Default Statement' ("NDS") by the entity. However, ICRA was unable to publish these rating actions on the website in due compliance with the directions passed by the High Court of Andhra Pradesh, vide its order dated September 25, 2020, in the matter of Mytrah Energy (India) Private Limited (MEIPL) and MVTPL vs Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL), ICRA Limited, Bank of Baroda and Power Finance Corporation Limited. After the withdrawal of the petition by MEIPL and MVTPL, ICRA is disclosing the rating action of downgrade to [ICRA]D in line with its Policy on Default Recognition and also, ICRA is simultaneously upgrading the rating to [ICRA]A- (Stable) basis the latest developments as discussed below and removing the rating from ISSUER NOT COOPERATING category on NDS.

The rating upgrade for MVTPL factors in the timely servicing of the debt obligations by the company since June 15, 2023 following the debt restructuring by its lenders and the acquisition of its 100% shareholding by JSW Neo Energy Limited (JSWNEL), a 100% subsidiary of JSW Energy Limited (JSWEL; rated [ICRA]AA (Stable) / [ICRA]A1+), from the erstwhile sponsor, MEIPL. 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 MVTPL factors in the managerial and financial support 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 MVTPL considers the limited demand and tariff risks for its wind power capacity of 148.9 MW, by virtue of a 25-year long-term power purchase agreements (PPAs) with APSPDCL for the entire capacity at a fixed tariff rate. Also, the debt restructuring approved by the lenders at the time of takeover by the new sponsor with the conversion of debt plus principal and interest overdue amounting to Rs. 1,232.38 crore into sustainable debt (Rs. 910 crore) and unsustainable debt (Rs. 322.38 crore in the form of optionally convertible debentures (OCDs) with a coupon of 0.1% payable annually), reduction in interest rate and an elongated repayment tenure are 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, the availability of one-quarter debt service reserve (DSRA) that shall be increased to two quarters and a working capital facility covering for 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 MVTPL under the restructuring was arrived based on a PLF of 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 MVTPL. 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 a weak counterparty, APSPDCL, which has a modest financial profile. While the receivable position has witnessed a significant reduction over the past 18 months, the timely receipt of the ongoing bills from APSPDCL on a sustained basis remains a key monitorable for MVTPL. 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 and single location of the project. Also, the machine availability for the project was adversely impacted by inadequate maintenance activity in the past, leading to weak generation performance in FY2022 and FY2023. Post takeover, the new sponsor is undertaking rectification measures to resolve these issues. This improved the generation performance in FY2024 with a reported PLF of 28.9% in 11M FY2024 against 15.8% in FY2023. The sustainability of this improvement remains to be seen.

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 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 MVTPL 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 MVTPL 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 – MVTPL, post its acquisition by the JSW Group in June 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 2025 with focus on increasing the share of the renewable energy capacity in its overall portfolio to 60%. Further, the company enjoys strong financial flexibility by being part of an experienced and resourceful promoter group. As part of the restructuring, JSWNEL had infused Rs. 30 crore as OCDs into MVTPL, which was inter-alia used for the creation of a one-quarter DSRA. JSWNEL has also committed to fund any capex for repairs of the wind turbine generators (WTGs) over next 2 years.

Revenue visibility due to long-term PPAs at fixed tariffs – The company has signed long-term PPAs with APSPDCL for the entire project capacity of 148.9 MW at a fixed tariff of Rs. 4.83 per unit for 98.3 MW and Rs. 4.84 per unit for 50.6, 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 – The generation performance of the wind power capacity under MVTPL improved in FY2024 after the acquisition by the new sponsor, following the rectification measures undertaken by the new sponsor with a reported PLF of 28.9% in 11M FY2024 against 15.8% in FY2023. A sustainable improvement in generation performance by the company remains a key monitorable. The improvement in generation performance, 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 LPS rules in June 2022, a one-quarter debt service reserve (DSRA) that 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, resulting in a significant reduction in the receivable position from the company.

Credit challenges

Sensitivity of debt metrics to energy generation; single location of the project – The debt coverage metrics of 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. Also, the company faces high asset concentration risk.

Counterparty credit risk due to exposure to discoms having modest financial profile – The company remains exposed to counterparty credit risks due to the exposure to APSPDCL, which has a modest financial profile, 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 with the collection period reducing to ~75 days. However, the sustainability of the same remains to be seen.

Weak tariff competitiveness – The competitiveness of the tariff of Rs. 4.83/4.84 per unit for the project remains relatively weak in relation to the APPC of the discoms. Further, it is higher than the tariff of about Rs. 3.0 per unit discovered recently in the sector. 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

MVTPL's liquidity position is expected to remain adequate, supported by the improved generation performance and regular realisation of dues from the customers. The company is expected to generate cash flow from operations of ~Rs. 49 crore in FY2025 against debt repayment obligation of Rs. 36.4 crore. Moreover, the availability of a DSRA of one quarter, free cash balances of Rs. 106.24 crore as on February 29, 2024 and the availability of working capital facility covering four months' receivables are expected to support the liquidity profile.

Rating sensitivities

Positive factors – ICRA could upgrade MVTPL's rating in case of a sustained improvement in the generation performance of its wind asset, along with the timely payments from the offtaker, 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 MVTPL, thereby adversely impacting its debt coverage metrics. A specific credit metric for downgrade includes the cumulative DSCR on the external debt falling below 1.15 times. Further, any significant delays in receiving payments from the offtaker, 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 MVTPL would be the negative factors.

Analytical approach

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

About the company

MVTPL was incorporated by the Mytrah Group in March 2015. The company owns and operates 148.9-MW wind power capacity at Aspari in the Kurnool district of Andhra Pradesh. The project was fully commissioned in March 2017. In June 2023, the company was acquired by JSWNEL from the Mytrah Group in an 100% stake sale. The company is now fully held by JSWNEL, a 100% subsidiary of JSW Energy Limited. The project was developed using wind turbine generators (WTGs) from GE India Industrial Private Limited, which is also the O&M contractor for this project.

Key financial indicators

MVTPL (Audited)	FY2022	FY2023
Operating income (Rs. crore)	126.1	98.0
PAT (Rs. crore)	-64.1	-293.2
OPBDIT/OI (%)	83.8%	-162.0%
PAT/OI (%)	-50.8%	-299.2%
Total outside liabilities/Tangible net worth (times)	7.6	-9.9
Total debt/OPBDIT (times)	12.2	-8.2
Interest coverage (times)	0.7	-0.9

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	Current rating (FY2025)				Chronology of rating history for the past 3 years							
		Type	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	Date & rating in FY2021	Date & rating in FY2020			
					April 9, 2024	-	-	-	Sep 28,2020	Mar 4, 2020	Oct 7, 2019	July 10, 2019	May 31, 2019
1	Fund-based – Term loan	Long term	852.23	852.23	[ICRA]A- (Stable)	-	-	-	[ICRA]B- (Negative)	[ICRA]B- (Negative)	[ICRA]BB- (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)
2	Fund based – Cash credit	Long term	48.50	-	[ICRA]A- (Stable)	-	-	-	[ICRA]B- (Negative)	[ICRA]B- (Negative)	[ICRA]BB- (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)
3	Unallocated	Long term	0	-	-	-	-	-	[ICRA]B- (Negative)	[ICRA]B- (Negative)	[ICRA]BB- (Negative)	[ICRA]BBB- (Negative)	[ICRA1]BBB- (Negative)

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**	June 2023	-	March 2042	852.23	[ICRA]A- (Stable)
NA	**Long term - Fund based – Cash credit**	-	-	-	48.50	[ICRA]A- (Stable)

Source: Company

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

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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.

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