December 17, 2024

VEH Mitra Energy Private Limited: Rating reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	13.00	13.00	[ICRA]BBB+ (Stable); reaffirmed; outlook revised to Stable from Positive
Total	**13.00**	**13.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating continues to factor in the cash pooling structure among the special purpose vehicles (SPVs) - VEH Mitra Energy Private Limited (VMEPL) and Akamu Solar Energy Private Limited (ASEPL) - with a pre-defined mechanism for sharing of surplus cash flow prior to the due date of debt servicing, enabling ICRA to take a consolidated view for these two cash pooling SPVs (pool).

The revision in the outlook to Stable from Positive on the long-term rating is based on the lower-than-anticipated generation performance (PLF) since commencement of operations at full capacity from March/April 2024. The PLF levels for both the companies remained lower than the P-90 estimate of 21.24% in 5M FY2025 due to initial stabilisation issues at the plant and lower-than-expected solar irradiation levels. However, the management has taken remedial measures and ICRA expects the generation to improve as the projects stabilise. The demonstration of generation performance in line or above the appraised P-90 estimate remains a key rating monitorable for the companies.

The rating factors in the strong parentage of the SPVs, as they are part of the Vibrant Energy Group, which in turn belongs to Macquarie Corporate Holdings Pty Ltd. Macquarie has an established track record in renewable energy at the global level. The rating also factors in the revenue visibility for the cash pooling portfolio, supported by the long-term power purchase agreements (PPA) with reputed counterparties under the group captive structure. Further, the rating derives comfort from the satisfactory anticipated debt coverage metrics, driven by the adequate returns from the projects.

The rating is, however, constrained by the pool's limited track record of operations, as the projects commenced operations at full capacity from March/April 2024. Also, given the single-part nature of the fixed tariff under the PPAs, the debt metrics of the pool remain sensitive to energy generation, which is dependent on weather conditions and seasonality. Further, the cash flows are susceptible to any adverse movements in interest rates. ICRA also notes that the projects are exposed to regulatory risks associated with the scheduling and forecasting norms for solar projects and changes in group captive norms.

Key rating drivers and their description

Credit strengths

Strong parentage - The 2.6-MW (AC)/3.25-MW (DC) solar power project under VMEPL and the 16.4-MW (AC)/20.5-MW (DC) solar power project under ASEPL are part of the Vibrant Energy Group, which belongs to Macquarie. Macquarie has more than 90 GW portfolio under development across over 25 markets globally. At present, the Vibrant Energy Group has ~200-MW (AC) capacity of operational assets under management (AUM), along with a large portfolio of under-construction/under-development assets, spread across five states in India. The Group develops open-access renewable energy solutions (wind and solar) for corporate customers, mainly through the group captive route.

Low offtake and price risks owing to long-term PPAs with group captive customers - VMEPL and ASEPL have signed 25-year power purchase agreements (PPA) under the group captive structure with Kalyani Technoforge Limited (VMEPL; 1.2 MWAc), Kalyani Transmission Technologies Private Limited (VMEPL; 1.4 MWAc), Maxion Wheels Aluminum India Pvt. Ltd. (ASEPL; 6.4 MWAc) and Kalyani Maxion Wheels Pvt. Ltd. (ASEPL; 10 MWAc) which belong to the Kalyani-Maxion Group. These companies are in the business of manufacturing forged and machined components and wheel rims for the automotive sector. The stable credit risk profiles of the offtakers ensure that the counterparty credit risk for the pool remains moderately low. The PPAs have been signed for the entire capacity at a competitive tariff, which is at a discount to the grid tariff, which also mitigates the offtake and price risks.

Cash pooling with group SPV - Comfort is drawn from the cash pooling mechanism available with the other group SPV - ASEPL - under the terms of the project debt, wherein any shortfall in debt servicing by VMEPL can be met through the cash surplus available with ASEPL.

Satisfactory anticipated debt coverage metrics - The pool's debt coverage metrics are expected to remain satisfactory, with an estimated cumulative debt service coverage ratio (DSCR) of approximately 1.20 times over the debt tenure. Notwithstanding this, the capital structure will remain leveraged in the near term owing to the debt-funded nature of the project.

Credit challenges

Limited track record of operations - The solar power plants under VMEPL and ASEPL have a limited track record as they commenced operations at full capacity from March/April 2024. The generation performance of the projects remained below the P-90 level in 5M FY2025. However, the generation is expected to improve, going forward, as the plants stabilise.

Single-asset operations; sensitivity of debt metrics to energy generation - The debt metrics of solar power projects remain sensitive to the PLF level, given the one-part tariff structure under the PPAs. Hence, any adverse variation in weather conditions and/or module performance may impact the PLF and consequently the cash flows. The geographic concentration of the assets in Nagpur, Maharashtra, amplifies the generation risk. The ability of the plants to achieve and maintain the appraised P-90 estimate remains a key factor from a credit perspective.

Exposure to interest rate risk - The capital structure of the pool is leveraged, reflected in the debt-funded capex deployed to set up the projects. Therefore, the debt coverage metrics remain exposed to any adverse interest rate movements, given the fixed tariff under the PPAs.

Regulatory risk of implementing scheduling and forecasting framework - The pool's operations remain exposed to regulatory risks pertaining to the scheduling and forecasting requirements applicable for renewable energy projects, given the variable nature of solar power generation. Also, the operations are exposed to the risk of changes in the group captive norms.

Liquidity position: Adequate

The companies had healthy free cash and bank balances of Rs. 8.30 crore as of October 2024 at the consolidated level. A DSRA equivalent to one quarter's debt servicing requirement amounting to Rs. 4.43 crore has also been created by both the companies as part of the project cost; another one quarter's DSRA is to be created from the project cash flows. The pool is expected to generate adequate cash flow from operations of over Rs. 5.00 crore against annual debt repayment obligations of Rs. 3.56-3.84 crore over FY2025-FY2026.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the credit profile of the parent, Vibrant Energy Holdings Pte. Limited (VEHPL), improves. A consistent power generation in line or above with the P-90 levels and timely collections from the offtakers will also support an upgrade.

Negative factors – Pressure on the rating could arise if the actual PLF remains low on a sustained basis, and/or the pool is unable to maintain a cumulative DSCR of 1.10 times on a sustained basis. The rating could also be revised downwards if the credit profile of its parent i.e., Vibrant Energy Holdings Pte. Limited (VEHPL), weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	The rating is based on implicit support from the parent company, Vibrant Energy Holdings Pte. Ltd.
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of two cash pooling SPVs listed in Annexure II

About the company

VEH Mitra Energy Private Limited (VMEPL), incorporated in 2020, is a special purpose vehicle (SPV) promoted by the Vibrant Energy Group. It is 67.93% held by Vibrant Energy Holdings Pte. Ltd., Singapore, 0.01% by VEH Global India Pvt. Ltd. and the rest by the commercial and industrial (C&I) customers (32.07%) under the group captive model. VEH Global India Pvt. Ltd. is 99.9% held by Vibrant Energy Holdings Pte. Ltd., Singapore. Vibrant Energy Holdings Pte. Ltd., Singapore (VEHPL; incorporated in 2015), is the main holding company for the current India portfolio through Aragorn Holding Company Two Pte. Ltd. (Singapore – incorporated in 2020).

VEHPL, Singapore, is a wholly-owned subsidiary of Aragorn Holding Company Two Pte. Ltd. (Singapore), which is held 92.21% by Macquarie Corporate Holdings Pty Ltd. and 7.79% by ATN International Inc (Delaware, 1989) through various step-down subsidiaries.

VMEPL has developed a 2.6-MW (AC)/3.25-MW (DC) solar power project at Jalakheda, Nagpur, in Maharashtra. The plant's full capacity became operational from April 2024. The company has signed long-term PPAs (25 years) with Kalyani Technoforge Limited (1.2 MW) and Kalyani Transmission Technologies Private Limited (1.4 MW), at a competitive tariff rate, under the group captive structure.

About the companies in the cash pooling structure

Under the cash pooling portfolio, there are two SPVs –VMEPL and ASEPL. The combined capacity of the mentioned SPVs is 19 MWAc /23.75MWDc which is at Jalakheda, Nagpur, in Maharashtra. The SPVs have signed PPAs with various reputed C&I customers under the group captive structure.

Key financial indicators (audited) - Not applicable as the company's operations commenced at full capacity from this fiscal

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Dec 17, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	13.00	**[ICRA]BBB+ (Stable)**	May 28, 2024	**[ICRA]BBB+ (Positive)**	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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**	Feb-2023	-	FY2041	13.00	[ICRA]BBB+ (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

Company Name	Consolidation Approach
VEH Mitra Energy Private Limited (VMEPL)	Full Consolidation
Akamu Solar Energy Private Limited (ASEPL)	Full Consolidation

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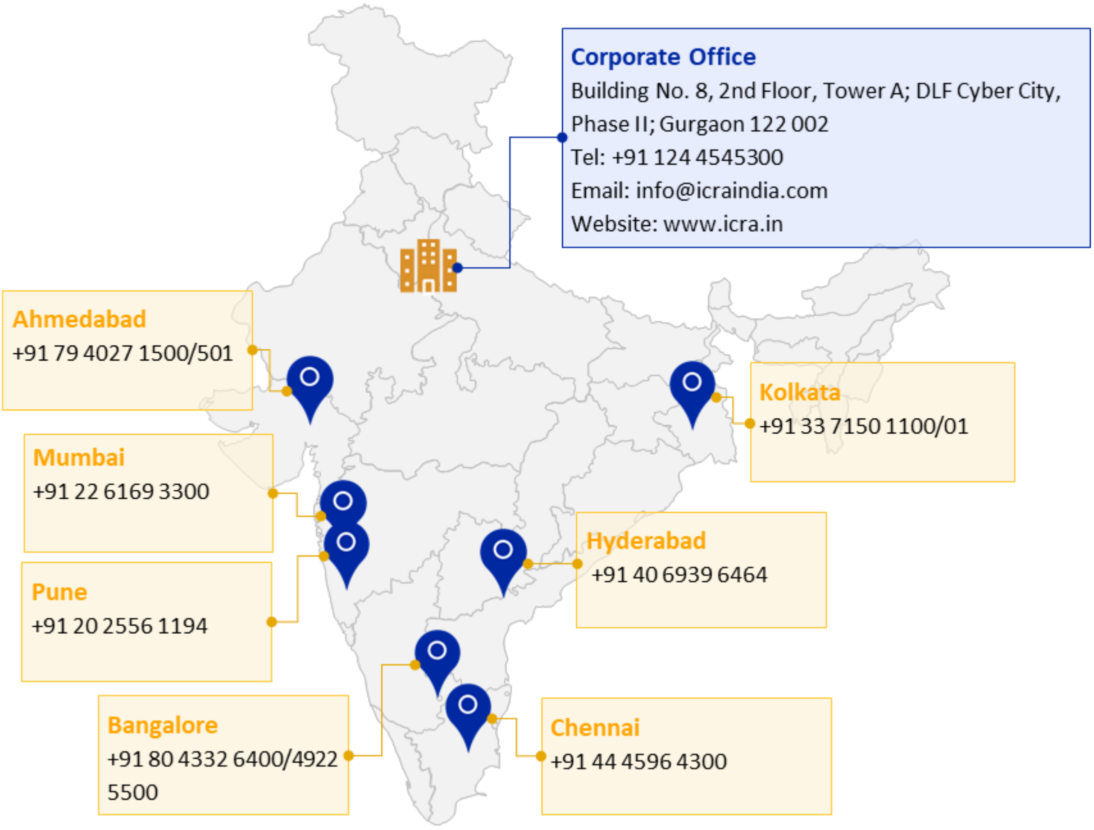

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