March 31, 2025

Vento Power Projects Private Limited: [ICRA]A (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	150.00	[ICRA]A (Stable); assigned
Total	**150.00**	

**Instrument details are provided in Annexure I*

Rationale

ICRA's rating on the bank loan facilities of Vento Power Projects Private Limited (VPPPL) factors in the revenue visibility for its 52.52-MW (DC) solar power plant on account of the long-term (25-year) power purchase agreement (PPA) with Solar Energy Corporation of India (SECI, rated [ICRA]AAA/A1+; Stable) at a fixed tariff of Rs. 3.93 per unit. Further, ICRA derives comfort from the satisfactory operating performance of the project over the last three years and an expected improvement in the generation in the coming years, supported by DC capacity upsizing of the project in FY2025.

VPPPL was acquired by Onward Solar Power Private Limited (OSPPL) in June 2023 and the new management completed the DC upsizing of the project capacity in phases during FY2025 to 52.52 MWp in January 2025 from 25 MWp in March 2024. The healthy tariff under the PPA, the elongated debt tenure of 14 years and the competitive interest rates are expected to keep the project's debt coverage metrics healthy, with the cumulative DSCR being estimated at 1.39 times.

ICRA also notes the presence of a strong counterparty i.e., SECI, leading to low counterparty credit risks for VPPPL. The realisation of payments from SECI has been timely, with monthly payments being realised within 15 days from the billing date over the last 12 months. VPPPL also benefits from the tie-up of an O&M contract with Sterling and Wilson at competitive rates, which ensures efficient plant operations, high plant availability and minimal downtime.

However, the rating is constrained by the vulnerability of VPPPL's cash flows and debt protection metrics to its generation performance. Any adverse variation in weather conditions and module performance may impact the PLF levels and consequently affect its cash flows, as the PPA tariff is single part and fixed in nature. VPPPL is also exposed to geographical concentration risk as it has a single asset in Odisha. Any region-specific issues may impact the operational performance of the project.

Further, the rating remains constrained by the exposure of the company's debt coverage metrics to the movement in interest rates on the external loans. Also, the company's debt terms have a cross-default clause, whereby any default by the guarantors (MPCL Industries Limited and OSPPL) will constitute as an event of default for VPPPL and could accelerate its debt, subject to the lender's discretion. However, given its favourable operational and financial profile (healthy debt coverage metrics and strong counterparty), if such a clause is exercised by the lender, the company is expected to be in a comfortable position to refinance its debt.

The Stable outlook factors in the revenue visibility from the long-term PPA and a satisfactory generation performance, which is expected to keep the debt protection metrics comfortable. The outlook is also supported by the timely receipt of payments from the offtaker, which is expected to help maintain a comfortable liquidity headroom, going forward.

Key rating drivers and their description

Credit strengths

Long-term PPA with strong counterparty offers cash flow visibility - The company has a 25-year PPA with SECI for its entire capacity at a fixed tariff of Rs. 3.93 per unit. Hence, the offtake risks remain limited, providing revenue visibility. VPPPL can also avail faster repayment of their bills by offering a rebate of 1-2% to SECI, thus aiding in efficient management of its working capital requirements. Also, the debt will be repaid by FY2039, while the PPA tenure is higher than the debt repayment period, providing sufficient headroom.

Improved power generation performance after recent DC upsizing – After the change in management, the Onward Group undertook a capex to increase VPPPL's DC capacity to 52.52 MWp as of January 2025 from 25 MWp in March 2024. The repowering happened in phases over FY2025. Also, the company has an O&M contract with Sterling and Wilson at a competitive rate, which has led to stable operations and controlled O&M expenses. As on March 25, 2025, VPPPL recorded a PLF of 16.06%, which is slightly below the DC P-90 estimate of 16.52%. However, the DC capacity was added in phases during FY2025 and it takes time for the newly added capacity to stabilise. Hence, ICRA believes the generation levels will improve in FY2026, which will be the first full year of operations post the DC repowering and stabilisation of the plant.

Comfortable debt coverage metrics - VPPPL has availed term loan of Rs. 150 crore, consisting of Rs. 100 crore towards DC upsizing and an additional Rs. 50 crore towards the repayment of unsecured loans infused during the takeover of the asset from the erstwhile promoters in FY2024. The residual tenure of the PPA is more than the balance repayment tenure of all the term loans. The project's debt coverage metrics are expected to be healthy, given the healthy tariff under the PPA, the long-term debt tenure and competitive interest rates. Moreover, a downward revision of the interest rates by 30 basis points in March 2025 is expected to further support the debt coverage metrics.

Credit challenges

Low geographical diversification; single-asset operation vulnerable to variation in solar irradiance - VPPPL is entirely dependent on power generation by the solar power project for its revenues and cash accruals, given the single-part nature of the tariff. Thus, any adverse variation in weather conditions and equipment performance may impact its generation and consequently its cash flows. The single location and single-asset nature of the company's operations amplifies this risk. Nonetheless, the recent track record of generation has been satisfactory for the company.

Exposure to interest rate risk - The capital structure of the company is leveraged and given the single-part nature of the fixed tariff in the PPA and the floating interest rates, its profitability and debt coverage metrics remain vulnerable to any increase in interest rates. A material upward increase in interest rates will not only exert pressure on the debt protection metrics, but also impact the asset's PLCR (project life coverage ratio) and its attractiveness.

Regulatory risks of implementing scheduling and forecasting framework for solar sector - The company's operations remain exposed to regulatory risks pertaining to the scheduling and forecasting requirements applicable for solar power projects, given the variable nature of solar power generation.

Liquidity position: Adequate

The liquidity profile of the company is expected to be adequate, supported by a healthy buffer in free cash flows and debt servicing obligations. The company is expected to generate free cash flows of Rs. 13-14 crore in FY2026 against a scheduled debt repayment obligation of Rs. 8-9 crore during the period. Also, there is the presence of a one-quarter debt service reserve equivalent to Rs. 5.7 crore, maintained in the form of a fixed deposit (FD). In addition, the company had cash and balances of Rs. 7.28 crore as on March 20, 2025, which provide a comfortable cushion for tiding over any temporary cash flow timing mismatch.

Rating sensitivities

Positive factors – The rating could be upgraded in case of a significant improvement in the generation performance above the appraised P-90 PLF estimate on a sustained basis, along with a strengthening of the liquidity position of the company.

Negative factors – The rating could be downgraded if the actual generation is significantly lower than P-90 PLF estimate on a sustained basis, weakening the debt coverage metrics and pulling down the cumulative DSCR below 1.25x. Further, the rating can be downgraded in case of significant delays in receiving payments from its off taker, which will adversely impact the liquidity profile of the company.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

Vento Power Projects is a solar power developer (SPD), ultimately owned by MPCL Industries Limited, rated [ICRA]BBB+ (Stable). VPPPL was originally incorporated by the Essel Group to bid for a solar power plant project in Odisha. In June 2023, the Onward Group acquired VPPPL from the Essel Group.

Key financial indicators (audited)

VPPPL (Standalone)	FY2023	FY2024
Operating income	13.4	16.1
PAT	-4.2	-3.2
OPBDIT/OI	84.1%	76.9%
PAT/OI	-31.4%	-20.1%
Total outside liabilities/Tangible net worth (times)	-6.7	1.2
Total debt/OPBDIT (times)	14.1	12.5
Interest coverage (times)	6612.6	24.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore 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

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 31, 2025	Date	Rating	Date	Rating	Date	Rating
Long term - Term loan - Fund-based	Long term	150.00	[ICRA]A (Stable)	-	-	-	-	-	-

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	**Term loan**	NA	NA	30^{th} June 2038	150.00	[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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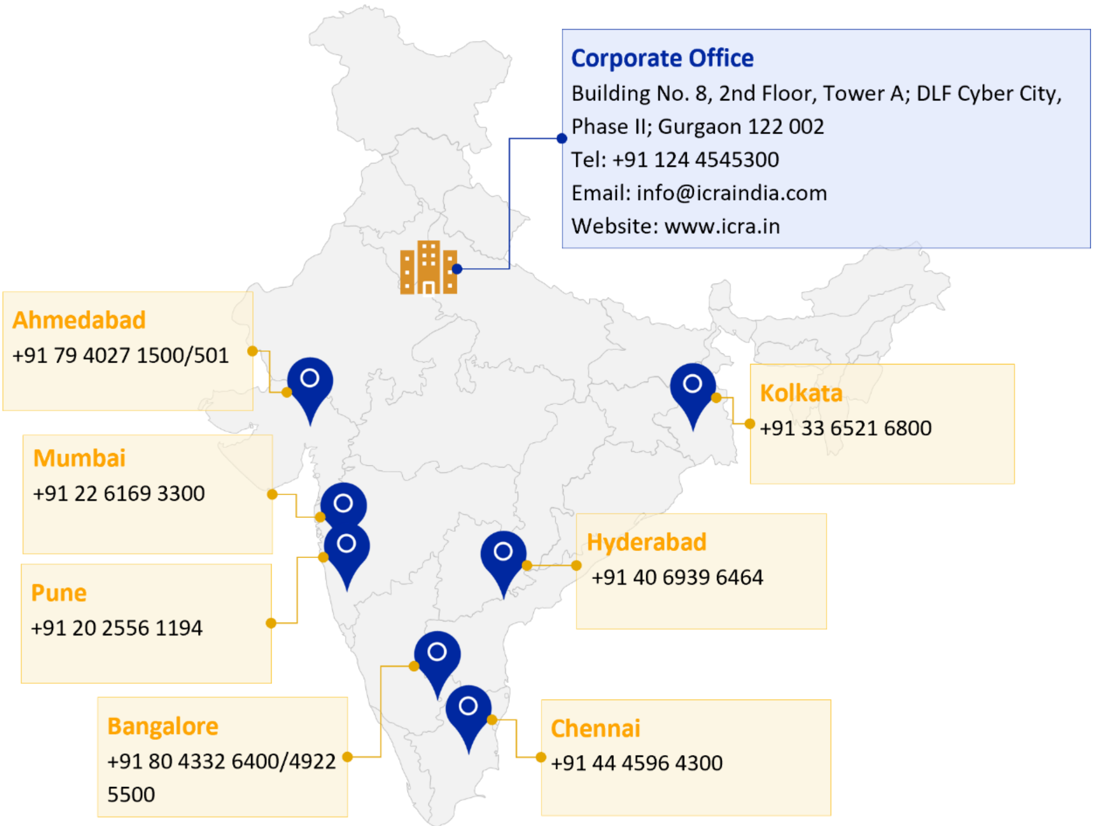

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