

February 09, 2023

VEH Srishti Energy Private Limited: [ICRA]BBB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Term loans	340.00	[ICRA]BBB+ (Stable); assigned
Total	340.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in the strong parentage of VEH Srishti Energy Private Limited (VSEPL) as it is a part of the Vibrant Energy Group, which is a part of Macquarie's Green Investment Group (GIG) with an established track record at the global level in the renewable energy sector. The rating also factors in the revenue visibility supported by the long-term PPA with a reputed counterparty under the group captive structure.

The rating, however, is constrained by the project execution risk associated with the successful commercialisation of the operations within the scheduled timeline and achieving the desired operating parameters. Also, given the single-part nature of the fixed tariff under the PPA, the debt metrics of the project remain sensitive to energy generation which is dependent on weather conditions and seasonality. Further, the project cash flows are susceptible to any adverse movement in the interest rates. ICRA also notes that VSEPL is exposed to regulatory risks associated with scheduling and forecasting norms for solar projects and changes in the group captive norms.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that the project will commence within the scheduled timeline without major cost overruns.

Key rating drivers and their description

Credit strengths

Strong parentage - The 54-MW (AC) wind power project under VSEPL is a part of the Vibrant Energy Group, which is part of Macquarie's Green Investment Group (GIG), through Blue Leaf Energy (wholly owned by Macquarie). Macquarie's GIG has 85+ GW portfolio under development across 25+ markets globally. Vibrant Energy Group currently has ~100 MW (AC) capacity of operational assets under management (AUM) along with a large portfolio of under-construction assets, spread across nine states in India. The Group develops open access renewable energy solutions (wind and solar) for corporate customers.

Revenue visibility due to long-term PPA with group captive customer - VSEPL has signed a 20-year (extendable by 5 years) power purchase agreement (PPA) under the group captive structure with Sify Infnit Spaces Ltd. {rated [ICRA]A+ (Stable)}, which is a reputed player in the data-centre sector. Given the healthy credit risk profile of the offtaker, the counterparty risk remains low. The PPA has been signed for the entire capacity at a competitive tariff, which is at a discount to the grid tariff, thereby mitigating the offtake and price risks.

Credit challenges

Project execution risk - The wind power plant under VSEPL is exposed to project execution risk as it has not yet commenced operations. As of December 2022, the company had incurred ~60% of the total project cost and had infused ~80% of the total budgeted funds. The land acquisition for the project has been completed and right of way (RoW) has been received for ~90%

of the transmission line. Further, the entire equity infusion and debt tie-up for the project has been completed, reducing the execution risk to an extent.

Single-asset operations; sensitivity of debt metrics to energy generation - The debt metrics of the company remain sensitive to generation from the 54.0-MW wind power project, considering the single part nature of the tariff under the PPA. Hence any adverse variation in weather conditions and/or turbine performance may impact PLF and consequently the cash flows and the debt coverage metrics. The geographic concentration of the asset amplifies the generation risk. The ability of the company 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 company is leveraged, reflected in the debt-funded capex deployed for setting up the project. Therefore, the debt coverage metrics of the company remain exposed to interest rate movement, given the fixed tariff under the PPA.

Regulatory risk associated with implementation of scheduling and forecasting framework - The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the variable nature of wind power generation. Also, the company's operations are exposed to the risk pertaining to the change in group captive norms.

Liquidity position: Adequate

The liquidity position of VSEPL is supported by the completion of entire equity infusion and debt tie-up for the wind power project. Further, post commercialisation of the plant, the liquidity is expected to be supported by the anticipated adequate cash flows from operations and the lenders' condition to maintain debt service reserve account (DSRA) equivalent to two quarters' interest and principal obligations.

Rating sensitivities

Positive factors - ICRA could upgrade rating on the timely commissioning of the project without any major cost overrun and achieving the desired operating parameters. Improvement in the credit profile of the parent Vibrant Energy Holdings Pte. Limited (VEHPL) could also lead to an upgrade.

Negative factors - Pressure on the rating could arise if there are significant delays in commissioning the project, leading to cost overrun and impacting the cash flow generation. The rating could also be revised downwards if the credit profile of the parent i.e., Vibrant Energy Holdings Pte. Limited (VEHPL), weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers Rating Approach - Implicit Parent or Group support
Parent/Group support	Implicit support from VSEPL's parent company, Vibrant Energy Holdings Pte. Ltd.
Consolidation/Standalone	Standalone

About the company

VEH Srishti Energy Private Limited (VSEPL), incorporated in 2021, is a special purpose vehicle (SPV) promoted by Vibrant Energy Group. It is 57.4% held by Vibrant Energy Holdings Pte. Ltd., Singapore, a negligible holding by VEH Global India Pvt Ltd and the rest by the C&I customer (42.6%) 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, is in turn a wholly-owned subsidiary of Aragorn Holding Company Two Pte. Ltd. (Singapore), which is held 78.14% by Blue Leaf Energy Asia Pte. Ltd. (Singapore) and 21.86% by Aragorn Holding Company Pte. Ltd. (Singapore). Blue Leaf Energy Asia Pte. Ltd. (BLE) (Singapore) is entirely held by Macquarie Corporate Holdings Pty. Ltd. (MCHPL) (Australia), while Aragorn Holding Company Pte. Ltd. (Singapore) is entirely held by Vibrant Energy Ltd. (Cayman Islands), which is eventually held by ATN International Inc (Delaware, 1989) through various step-down subsidiaries.

VSEPL, is developing a 54-MW (AC) wind power project at Kasar, Latur district, in Maharashtra. The scheduled commissioning date of the project is June 2023. The company has signed a long-term PPA (20-years) with Sify Infinit Spaces Ltd. at a competitive tariff rate under the group captive structure.

Key financial indicators (audited) - Not applicable as the company is in project phase

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Feb 09, 2023	-	-	-
1	Term loans	Long term	340.00	238.00	[ICRA]BBB+ (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
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	FY2023	~9.75%-10.75%	FY2041	340.00	[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 – Not applicable

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545304
sabyasachi@icraindia.com

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Sanket Thakkar
+91 40 4027 1528
sanket.thakkar@icraindia.com

Rishi S Tekchandani
+91 79 4027 1519
rishi.tekchandani@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.