

September 27, 2023

Mytrah Vayu (Sabarmati) Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund based – Term Loan	1,542.91	[ICRA]A+ (Stable); assigned
Long Term – Working Capital Demand Loan	47.41	[ICRA]A+ (Stable); assigned
Long term – Unallocated	12.94	[ICRA]A+ (Stable); assigned
Total	1,603.26	

*Instrument details are provided in Annexure-1

Rationale

The rating assigned to Mytrah Vayu (Sabarmati) Private Limited (MVSbPL) factors in the managerial and financial support from a strong ultimate parent – JSW Energy Limited (JSWEL; rated [ICRA]AA (Stable)/[ICRA]A1+) - which acquired the entity from the Mytrah Group in March 2023. 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 March 2025, with renewables having a 60% share. It enjoys strong financial flexibility by being part of an experienced and resourceful promoter group.

Further, ICRA takes note of the benefits available to MVSbPL from being part of a cash pooling mechanism and cross default linkages with 14 other special purpose vehicles (SPVs) of the group, wherein surplus cash from any of the 15 SPVs can be used to meet the shortfall in debt servicing for any of the SPVs in this pool. The wind and solar portfolio under these 15 SPVs aggregates to 1.45 GW with a wind solar mix of 71:29; it is a well-diversified portfolio with presence across nine states and having long-term power purchase agreements (PPAs) with state distribution utilities (discoms), PTC India Limited (PTC) and commercial & industrial (C&I) customers. While the generation performance of the solar assets under this portfolio remained satisfactory, the generation performance of wind assets largely remained modest over the past three years owing to inadequate maintenance activity and subdued wind season. Also, the large exposure to the state discoms having a moderate financial profile is an area of concern for these SPVs. While the recent improvement in payment discipline by the discoms following the notification of late payment surcharge (LPS) rules by the Ministry of Power, Government of India is a positive, the sustainability of the same remains to be seen.

The rating for MVSbPL also considers the limited demand and tariff risks for its wind power project of 252 MW in Tamil Nadu, by virtue of the 25-year long-term power purchase agreements (PPAs) with PTC (rated [ICRA]A1+) for the entire project capacity at a fixed tariff of Rs. 3.46 per unit. The project has an operating track record of over four years and comfort is drawn from the presence of a strong counterparty that has resulted in timely payments. Also, the tariff competitiveness offered by the project is a positive. Further, the favourable refinancing undertaken by the new management has led to a reduction in interest cost. While the debt coverage metrics for the company are expected to be moderate, comfort is drawn from the healthy debt coverage metrics of the 15-SPV pool with the cumulative DSCR expected to be over 1.35x over the debt tenure due to the refinancing at a lower interest rate and a revised repayment schedule.

The rating is, however, constrained by the fact that the company's cash flows, and debt protection metrics remain sensitive to its generation performance. The PLF since commissioning has remained below the P90 PLF estimate owing to low machine availability and inadequate maintenance. Post takeover, the new management is undertaking restoration and rectification measures to improve the generation performance and optimize the cost structure. Further, any adverse variation in weather conditions and equipment performance may impact the PLF levels and consequently, affecting the cash flows, as the PPA tariff

is single part and fixed in nature. This constraint is amplified by the geographic concentration of the asset, with the entire capacity at a single location in Tamil Nadu.

ICRA notes that MVSbPL's debt coverage metrics remain exposed to the interest rate movement given the annual interest rate reset. Further, the company's operations remain exposed to the regulatory risks pertaining to the scheduling and forecasting requirements of wind power projects.

The Stable outlook on the long-term rating for MVSbPL reflects the presence of a long-term PPA, expected improvement in generation performance following the restoration and rectification measures undertaken by the new sponsor and timely payments from offtaker.

While assigning an investment grade rating for MVSbPL, ICRA has made an exception to the 365-day curing policy post clearance of defaults. This exception factors in the change in ownership and management of the company. This is in line with the exceptions provided in ICRA's policy on default recognition.

Key rating drivers and their description

Credit strengths

Presence of a strong sponsor in the form of JSW Energy Limited – MVSbPL, post its acquisition by JSWEL in March 2023, is supported by the strong credit profile of the sponsor, underpinned by its large scale of operations and diversified business profile. The operating portfolio of the group is expected to reach 9.8 GW by March 2025, with a 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.

Benefits of being part of a co-obligor structure with a well-diversified wind and solar portfolio – The company benefits from being part of a cash pooling mechanism and having cross default linkages with 14 other SPVs of the group, wherein surplus cash from any of the 15 SPVs can be used to meet the shortfall in debt servicing for any of the SPVs in this pool. This 15-SPV pool is a well-diversified portfolio of wind and solar assets aggregating to 1.45 GW, with presence across nine states.

Revenue visibility due to long-term PPA at a fixed tariff – The company has signed long-term PPAs with PTC, which in turn has signed power sale agreements (PSAs) with four state discoms, for the entire project capacity of 252 MW at a fixed tariff of Rs. 3.46 per unit for a tenure of 25 years, limiting demand and tariff risks.

Strong counterparty resulting in timely payments – The presence of a strong intermediate counterparty like PTC (rated [ICRA]A1+) has mitigated the counterparty credit risks and ensured timely realisation of payments under the PPA within 30 days of raising invoices. While the ultimate exposure to the state discoms having moderate financial profile remains a concern, the payment track record has been timely.

Comfortable debt coverage metrics of the pool – While the debt coverage metrics for the company are expected to be moderate, comfort can be drawn from the healthy debt coverage metrics of the 15-SPV pool with the cumulative DSCR expected at be over 1.35x over the debt tenure.

Credit challenges

Single-asset operations; sensitivity of debt metrics to energy generation – The debt metrics for the wind power project remains sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, any adverse variation in the weather conditions and/or equipment performance may impact the PLF and consequently the cash flows. The geographic concentration of the asset amplifies the generation risk.

Subdued generation performance since commissioning – The generation performance of the wind power project has been subdued over the last five years due to low machine availability and inadequate maintenance with the average PLF since

commissioning remaining below the P90 PLF estimate. ICRA notes that the new management is undertaking restoration and rectification measures, which are expected to improve the generation performance, going forward.

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, single-part nature of the fixed tariff in the PPAs and floating interest rates.

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

MVSbPL's liquidity position is supported by adequate cash flows from operations in relation to the debt servicing obligations and the presence of debt service reserve account (DSRA) equivalent to one-quarter of interest and principal obligations. ICRA expects the company to generate cash flows from operations of over Rs. 20 crore in FY2024 and Rs. 70 crore in FY2025, supported by timely recovery of payments, against the annual repayment obligation of Rs. 15 crore in FY2024 and Rs. 65 crore in FY2025. The company had cash and bank balances of Rs. 58 crore as on July 31, 2023, that includes DSRA of one quarter and this apart, the company is getting working capital facilities sanctioned to the tune of Rs. 47.41 crore to assist its liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade MVSbPL's rating in case of improvement in the generation performance of the wind and solar assets in the pool, along with the continuation of timely payments from the offtakers, thereby strengthening their 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 MVSbPL or the other assets in the pool, adversely impacting their debt coverage metrics. A specific credit metric for downgrade includes the cumulative DSCR on the external debt for the pool of 15 SPVs falling below 1.25 times. Further, any significant delays in receiving payments from the offtakers adversely impacting the company's or the pool's liquidity profile would be a negative factor. Also, any weakening of the credit profile of JSWEL, or any change in linkages/support philosophy between the parent and MVSbPL would be negative factors.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Energy Projects ICRA's Policy on default recognition
Parent/Group support	<p>The rating assigned factors in the presence of cash surplus sharing and cross-default linkages between 15 SPVs of the group namely - Mytrah Aakash Power Private Limited, Mytrah Aadhya Power Private Limited, Mytrah Abhinav Power Private Limited, Mytrah Advait Power Private Limited, Mytrah Akshaya Energy Private Limited, Mytrah Agriya Power Private Limited, Mytrah Adarsh Power Private Limited, Mytrah Vayu Urja Private Limited, Mytrah Vayu (Pennar) Private Limited, Mytrah Vayu (Manjira) Private Limited, Mytrah Vayu (Godavari) Private Limited, Mytrah Vayu Som Private Limited, Bindu Vayu Urja Private Limited, Mytrah Vayu (Sabarmati) Private Limited and Mytrah Vayu (Krishna) Private Limited.</p> <p>Also, the rating factors in the implicit support from the ultimate holding company, JSWEL, with support expected to be forthcoming in case of any cash flow mismatch.</p> <p>The rating for MVSbPL has been arrived at by following the analytical steps as given below: 1. An assessment of the standalone credit profile of MVSbPL.</p>

	<p>2. An assessment of the Group's credit profile by undertaking a consolidated assessment of the 15 SPVs in view of the linkages among them, and then further notching up the Group's rating based on expectations of implicit support from the holding company, JSWEL.</p> <p>3. The final rating for the bank facility of MVSbPL is arrived at by suitably notching up the standalone rating after duly considering the Group's rating and the linkages between the standalone entity and the Group</p>
Consolidation/Standalone	Standalone

About the company

MVSbPL was incorporated by the Mytrah Group in March 2017. The company owns and operates a 252-MW wind power project in Maniyachi, Tamil Nadu. The project was won through tariff-based competitive bidding conducted by Solar Energy Corporation of India (SECI) in February 2017 under the 1,000-MW inter-state transmission system (ISTS) connected wind scheme of Ministry of New and Renewable Energy (MNRE). The project was commissioned in January 2019 with the full capacity installed by May 2019 and the company has signed 25-year PPAs with PTC. In March 2023, the project was acquired by JSWEL from the Mytrah Group in an 100% stake sale. The company is now fully held by JSW Neo Energy Limited, a 100% subsidiary of JSWEL.

Key financial indicators (audited)

MVSbPL Standalone	FY2022	FY2023
Operating income (Rs. crore)	170.10	168.99
PAT (Rs. crore)	-49.17	-60.70
OPBDIT/OI (%)	85.00%	82.61%
PAT/OI (%)	-28.91%	-35.92%
Total outside liabilities/Tangible net worth (times)	5.07	6.54
Total debt/OPBDIT (times)	10.66	11.18
Interest coverage (times)	0.89	0.88

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

NOTE: Debt includes promoter contribution in the form of subordinated debt

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Aug 31, 2023 (Rs. crore)	Date & rating	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Sep 27, 2023	Sep 15, 2023	Jul 27, 2023	May 31, 2022	May 17, 2021	Oct 07, 2020
1	Term Loan	Long-Term	1,542.91	1,509.59	[ICRA]A+ (Stable)	[ICRA]D; ISSUER NOT COOPERATING ; withdrawn	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]BB+ (Negative)
2	Working Capital Demand Loan	Long-Term	47.41	-	[ICRA]A+ (Stable)	-	-	-	-	-
3	Unallocated	Long-Term	12.94	-	[ICRA]A+ (Stable)	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Working Capital Demand Loan	Simple
Unallocated	NA

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 / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Mar 2023	-	Jun 2040	1,542.91	[ICRA]A+ (Stable)
NA	Working Capital Demand Loan	-	-	-	47.41	[ICRA]A+ (Stable)
NA	Unallocated	-	-	-	12.94	[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

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545 304
sabyasachi@icraindia.com

Vikram V
+91 40 4547 4829
vikram.v@icraindia.com

Vinayak Ramesh
+91 40 4547 4829
r.vinayak@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@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.