

Clean Wind Power (Manvi) Pvt. Ltd.

| Instrument | Amount Rated In Rs. Crore | Rating Action As of June, 2016 |
|--------------|------------------------------|-------------------------------------|
| Term loan | 284.0 | [ICRA]BBB+(Stable); <i>assigned</i> |
| Total | 284.0 | |

ICRA has assigned a long term rating of [ICRA]BBB+(pronounced ICRA triple B plus) to the Rs 284 crore¹ term loan facility of Clean Wind Power (Manvi) Pvt Ltd (CWPM)². The outlook on the long term rating is Stable.

The assigned rating derives comfort from the company's strong parentage and management with CWPM being promoted by Hero Future Energies Private Limited, which in turn is promoted by Bahadur Chand Investments Private Limited and Brijmohan Lal Om Prakash, a partnership firm and ultimate holding company of Hero Group. The group is managed by a team of well experienced technocrats and investment professionals and has operational wind power capacity of over 300 MW and under construction/development wind power capacity of over 200.0 MW besides 40.0 MW of operational solar power plants. The rating takes support from minimal execution and offtake risk as the Manvi wind power project has already been commissioned and the entire 50.0 MW capacity has been contracted under a group captive arrangement to clients in steel, IT, real estate, cement, hotel etc industry. The rating also derives strength from the inherent competitiveness of the tariffs offered, presence of take or pay clause in the PPA, diversified customer base, lower receivable period and the fact that tariffs are linked to discom tariff which could lead to possible tariff hikes in future thus improving debt servicing capability. ICRA also notes that the O&M is contracted to strong counterparty (Gamesa) and the presence of requisite performance warranties with the same.

Nevertheless, the rating is constrained as the installed power plant has a track record of 1 year only though ICRA acknowledges the generation has been close to the estimated PLF in the first year. Further, credit concerns arise on account of weaker credit profile of few of the group captive customers though payment track record has been satisfactory thus far. The rating assigned also accounts for vulnerability of cash flows to weather conditions as tariffs are linked to actual generation.

About the Company

Clean Wind Power (Manvi) Private Limited (CWPM) is an SPV set up under the group captive arrangement with Hero Wind Energy Private Limited (HWEPL) as the holding company and balance with group captive customers. HWEPL is further held by Hero Future Energies Ltd which is a jointly owned subsidiary of Bahadur Chand Investment Private Ltd (BCIPL) and Brijmohan Lal Om Prakash (BMOP), the ultimate holding company of Hero Group. The equity investment in HFEL for developing renewable energy projects will be made by BCIPL and BMOP.

CWPM has set up a 50 MW wind power plant in Manvi, Karnataka which has been developed by Gamesa (also the O&M contractor). The project was commissioned in March, 2015 and has been funded in a debt:equity ratio of 75:25. The power is sold under a group captive arrangement to more than 10 clients and the tariffs are linked to actual discom tariff.

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¹ 100 lakh=1 crore= 10 million

² For complete rating and definitions please refer to ICRA's website www.icra.in or any of the ICRA Rating Publication



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