

Acciona Wind Energy Private Limited

Instrument	Amount In Rs Crore	Rating Action As on June 2016
Term loan	55.42 (Reduced from 127.00)	[ICRA]A (Stable) (re-affirmed)

ICRA has re-affirmed the long-term rating at **[ICRA]A** (pronounced ICRA A)¹ for the Rs. 55.42 crore (Rs. (reduced from 127.00 crore) long-term loan facility of Acciona Wind Energy Private Limited (AWEPL). The outlook on the long-term rating is **Stable**.

ICRA's rating re-affirmation factors in the strong generation track record of the two wind power plants under AWEPL, with the average PLF achieved over the period leading up to FY2015, being in line the appraised estimate. There has been a decline in power generation by 7% on a year-on-year (YoY) basis in FY2016, which coupled with higher operating costs, has lowered the net cash accruals for the company by 10% YoY. Nonetheless, ICRA notes that the cash accruals remained adequate in relation to the debt servicing requirements for the year. The rating also factors in the receipt of stage II forest clearance for a portion of the forest land at Anabaru plant (which was pending since commissioning of the plant), as expected by ICRA at the time of the last rating exercise. Further, the rating continues to draw comfort from the presence of a long-term power purchase agreement (PPA) with Bangalore Electricity Supply Company Limited (BESCOM) at a highly competitive tariff of Rs. 3.4/unit for a period of 10 years. This mitigates demand and pricing risks. Another rating comfort is the operating & maintenance (O&M) contract with Vestas, a reputed wind turbine generator (WTG), manufacturer and installer, with clear guarantee for WTG machine availability. ICRA's rating also takes support from the improving capital structure with ongoing debt repayment as well as healthy cash and bank balances maintained by the company, despite a Rs. 9 crore share buyback during FY2016. Furthermore, ICRA takes note of the managerial and technical strengths arising from being a part of the Acciona Group, a reputed and well established player in the global renewable energy industry.

The rating is, however, constrained by risks that are typical to all wind energy projects, including vulnerability to seasonality and possible variance in wind-power density across years, given that revenues are linked to actual units generated and exported. The rating is also constrained by the limited diversity in the asset base as both the wind power plants are located close to each other. ICRA, moreover, notes the susceptibility of cash flows to counter-party credit risk arising out of the exposure to a single buyer. Nonetheless, ICRA notes that the payments have been timely from BESCOM so far. ICRA also takes note of the expansion plans of the Acciona Group in the wind energy sector in India, along with associated funding and implementation risks for the Group. However, the impact of such risks on AWEPL is expected to be low, given the presence of SPV structure, and as equity for these projects is being funded from the holding company in Spain.

Going forward, ICRA notes that the continuation of the healthy generation levels as seen in the past and timely receipt of payments from BESCOM would remain the key rating sensitivities. Furthermore, any additional debt funding at AWEPL will be the other key rating monitorable.

Company Profile

Acciona Wind Energy Private Limited (AWEPL), incorporated in 2006, is a special purpose vehicle (SPV) promoted by Acciona Energia International S.A., which is a part of the Spain-based Acciona Group. AWEPL operates two wind plants with capacity aggregating to 29.7 MW in Chitradurga and Davangere districts of Karnataka. The wind power plants (referred to as Anabaru and Arasinagundi power plants) have been operational since 2008. The plants were commissioned at a total cost of Rs. 210 crore and the projects were developed and executed by Vestas Wind Technology India Private Limited. AWEPL has an O&M contract for WTGs with Vestas Wind Technology India Private Limited, and for the balance of plant including the sub-station with ESEPL Services.

¹ For complete rating scale and definitions, please refer to ICRA's website (www.icra.in)

Recent Results

As per the provisional financials of FY2016, AWEPL reported an operating income of Rs. 30.09 crore with profit after tax of Rs. 6.05 crore.

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