ICRA

Panama Wind Energy Private Limited

December 10, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	310.0	310.0	[ICRA]BBB- (Stable) reaffirmed
Total	**125.0**	**125.0**	

Rationale

The rating reaffirmation factors in the satisfactory operational track record of the 72-MW wind power plant in Satara, Maharashtra with the generation (in YTD FY2019) in line with the P-90 estimates and rectification of past delays in receipt of payments in Maharashtra as the present receivable cycle has been reduced to three to four months. ICRA also factors in the revenue visibility on account of the presence of a long-term power purchase agreement (PPA) at an average tariff of Rs. 5.78 per unit with MSEDCL and improvement in liquidity profile post receipt of bulk payments that have been utilised to repay working capital limits and invest in Group companies. As of October 2018-end, the company had liquidity cushion in the form of surplus cash balance of Rs. 25 crore and unutilised working capital limits of Rs. 45 crore which can be utilised to meet any intermittent cash flow mismatch. The rating continues to factor in the overall strength of the Berkley and Panama Group as it is managed by a team of well-experienced technocrats and investment professionals and has a portfolio of approximately 330 MW of commissioned assets as on October 31, 2018. The rating also takes into account the presence of clear guarantees regarding reactive power, machine availability and the power curve from the equipment supplier/operations and maintenance (O&M) contractor.

Nevertheless, the company's profitability and debt protection metrics remain sensitive to its operational performance. Any adverse variation in wind conditions may impact PLF levels and consequently affect cash flows. Further, PWEPL remains exposed to the credit risk profile of a relatively weaker state utility which offtakes the entire power generated by the company. Also, there have been previous instances of the discom making payments with a huge delay. ICRA also notes that the overall debt tenure of the company is longer than the PPA tenure and the future cash flows post the PPA tenure would be dependent upon the ability of the company to enter into a firm offtake agreement with a credible counterparty and the same remains to be seen. The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the limited experience of developers of operating in India.

Going forward, the company's ability to report satisfactory operational parameters, receive timely payments from the discom, not increase its exposure to Group companies and ensure timely debt servicing would be the key rating sensitivities.

Outlook: Stable

ICRA believes that PWEPL will continue to benefit from its long-term fixed tariff-based PPA with MSEDCL. The outlook may be revised to Positive if there is a sustained improvement in the PLF level and receivable profile. The outlook may be revised to Negative in case of deterioration in operational performance as well as any material delays from the counterparty affecting the liquidity profile.

Key rating drivers

Credit strengths

Revenue visibility of project due to long-term PPA with MSEDCL – PWEPL has an existing PPA for 13 years at a weighted average tariff of Rs. 5.78 per unit with MSEDCL for its full 72-MW capacity. Long-term PPAs for the project with state utility results in lower offtake risks and provides revenue visibility.

Satisfactory generation performance since completion of remedial work on project – The project has been operating for more than five years. Post commissioning the project, one of the turbines collapsed. As a result, the company had to undertake a lot of remedial work and generation since FY2016 has been satisfactory. The generation in FY2018 was lower than P-90, primarily because of variable wind conditions. The actual generation in YTD FY2019 has been marginally better than the P-90 estimates.

Easing of liquidity position post receipt of funds in October 2018 – The collection performance of PWEPL has improved in the current year as the receivable cycle has been brought down to three to four months. The receivable cycle had crossed more than a year in the interim. The company has utilised the funds to make investments in other Group companies and to repay its entire working capital lines, which were being fully utilised previously. The overall liquidity profile of the company has strengthened as reflected by the presence of surplus cash balances and presence of working capital limits that are unutilised at present. These sources would help PWEPL bridge any intermittent cash flow mismatches in the near to medium term.

Sponsor strength by virtue of PWEPL being promoted by Berkley Group – Panama Wind Group is promoted by Berkeley Energy. Founded in 2007, Berkeley Energy is a private equity investor in the renewable energy infrastructure space and has presence in Asia and Africa. The Berkeley Group has raised two separate investment funds for the Asia and the Africa regions respectively. The Group currently has an operating renewable energy portfolio of ~330 MW, spread in India and the Philippines.

Credit challenges

Vulnerability of cash flows to variation in weather conditions – As the tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to variation in weather conditions. This in turn would affect the cash flows and debt-servicing ability of the company.

PWEPL remains exposed to credit risk profile of MSEDCL – As MSEDCL offtakes the entire quantum of power generated by the assets of PWEPL, it remains exposed to the credit risk profile of the latter, which is weak. Any delay in payments by the counterparty will stretch the company's receivable cycle and in turn adversely impact the overall liquidity profile.

PPA tenure lower than debt servicing tenure – At the time of setting up the plant, PWEPL entered into a 13-year PPA with MSEDCL, which is valid up to July 2027. The outstanding debt of the company would be replayed over a longer tenure with the last repayment due in April 2032. Future cash flows post the PPA tenure would depend upon the ability of the company to enter into a firm offtake agreement with a credible counterparty and the same remains to be seen.

Regulatory risks associated with implementation of scheduling and forecasting framework for wind sector – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the limited experience of developers in operating in Indian conditions.

Liquidity position

The liquidity profile of the company has improved on account of receipt of payments in the bulk amount of Rs. 46 crore in October 2018. The company had surplus cash balances of Rs. 25 crore and unutilised working capital limits of Rs. 55 crore at October 2018-end, which would aid in meeting any intermittent cash flow mismatch. Going forward, the internal cash flows are expected to be sufficient to meet repayment obligations and no support from a related entity has been envisaged.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

PWEPL is a part of the Panama Group promoted by Mr. Sameer Balasaheb Ladkat. The company operates a 72-MW wind power plant in the Satara district of Maharashtra. The plant consists of 45 wind turbine generators (WTGs) of 1.6 MW each and was commissioned in February 2013. The entire engineering, procurement and construction (EPC) process, including O&M services are provided by General Electric Industries India Ltd. (GE). The company is a subsidiary of M/s Berkeley Energy Wind Mauritius Limited (BEWML), which holds 94.08% shareholding in the equity capital of the company. The remaining 5.92% equity capital is held by M/s Indo Magnus Wind Energy Private Limited.

Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	91.7	81.1
PAT (Rs. crore)	-14.9	-17.5
OPBDIT/OI (%)	58.8%	59.1%
RoCE (%)	4.7%	4.2%
Total Debt/TNW (times)	1.59	1.73
Total Debt/OPBDIT (times)	5.96	6.68
Interest Coverage (times)	1.38	1.24

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Type	Amount Rated (Rs. crore)	Current Rating (FY2019)		Chronology of Rating History for the past 3 years		
				Amount Outstanding	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
				March 31,2018 (Rs. crore)	December 2018	October 2017	September 2016	November 2016
1	Term Loan	Long Term	310.0	281.6	**[ICRA]BBB- (Stable)**	**[ICRA]BBB- (Stable)**	**[ICRA]BB+ (Stable)**	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	-	-	-	310.00	[ICRA]BBB- (Stable)

Source: PWEPL

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545304
sabyasachi@icraindia.com

Jatin Arya
+91 124 4545313
jatin.arya@icraindia.com

Avneet Kaur
+91 124 4545319
avneetk@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:

+91-124-2866928 (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

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 6606 9999