

ReNew Wind Energy (Varekarwadi) Private Limited

January 24, 2019

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Term Loan 1	190.00	190.00	[ICRA]BBB+ (Stable); reaffirmed
Fund-based - Term Loan 2	89.00	89.00	[ICRA]BBB+ (Stable); reaffirmed
Total	279.00	279.00	

*Instrument details are provided in Annexure-1

Rationale

The rating action favourably factors in the satisfactory generation levels achieved by the Maharashtra based wind power plant (50.4 MW) over the last one year. The rating is aided by the lengthy track record of the asset spanning ~5 years. Furthermore, the payment cycle has also improved for this asset with Maharashtra State Electricity Distribution Company Limited (MSEDCL, the counterparty for this asset) clearing payments till the month of June 2018. ICRA further notes the successful commissioning of another 40.0 MW wind-based power plant in Bableshtar, Karnataka in March 2018 under the same Special Purpose Vehicle (SPV). This plant is under stabilisation and its operational performance along with the duration of collection cycle will remain a key rating sensitivity in the future.

ICRA's rating draws comfort from the company being a wholly owned subsidiary of Renew Power Limited (RPL) which is promoted by GS Wyvern Holding Limited (GSWHL), an investment arm of Goldman Sachs Group, JERA, Canada Pension Plan Investment Board etc. ICRA also notes the long-term revenue visibility arising out of the presence of a 13-year long Power Purchase Agreement (PPA) signed with MSEDCL for the 50.4 MW Maharashtra asset at a preferential tariff of Rs 5.81 per kWh and another 20-year long PPA signed with Bangalore Electricity Supply Commission (BESCOM) for the 40.0 MW Karnataka asset at a preferential tariff of Rs 3.74 per kWh. ICRA acknowledges the presence of clear warranties and LD charges, registration of the Maharashtra asset for Generation Based Incentives (GBI) and the presence of DSRA for two quarters as credit positives, apart from the presence of adequate cash on the balance sheet which provides liquidity cushion.

The ratings are however constrained by the high leverage in the project due to an additional debt availed by the SPV for setting up the Karnataka based plant. Also, the inherently weak credit profile of MSEDCL and its poor payment discipline continue to subdue the rating, although the latter has improved over the past one year. Finally, the rating action accounts for the vulnerability of cash flows to weather conditions as tariffs are linked to actual generation.

Going forward, ICRA will continue to monitor the operational performance of the two wind power assets along with the payment discipline shown by MSEDCL and BESCOM.

Outlook: Stable

ICRA believes RWEVPL will continue to benefit from its strong parentage and satisfactory generation profile. The outlook may be revised to Positive if the generation profile of the recently commissioned Karnataka based asset also remains satisfactory and/or the payment discipline shown by MSEDCL over the past year remains consistent. The outlook may be revised to 'Negative' if the generation profile of the project deteriorates and/or the collection cycle from the distribution companies, MSEDCL and BESCOM, experiences a stretch in the near future.

Key rating drivers

Credit strengths

Generation continues to remain satisfactory for Maharashtra based Wind Power plant; Karnataka plant currently under stabilisation – The Maharashtra based plant has recorded satisfactory PLF figures post stabilisation, barring a one-time incident of grid breakdown in June/July 2016. The generation in 4M FY2019 has also been in line with the estimates. The Karnataka based plant, commissioned in March 2018, is under stabilisation and has been clocking PLF figures better than the estimates.

Improvement in payment discipline of MSEDCL has eased liquidity and working capital concerns - While MSEDCL gets 60 days to make payments, delays to the tune of more than 12 months were observed in CY2017 which impacted the liquidity position of the company and necessitated promoter support during that time. However, the extent of delays has reduced over the last year and currently payments have been realised up till June 2018. The same were received in October 2018. This has improved the liquidity and working capital intensity of the company to some extent.

For Bableshwar power plant, BESCOM is the counterparty and payments are being received within a time span of two months from raising the invoice.

Strong parentage which includes high quality investor remains a source of comfort - RWEVPL is a wholly owned subsidiary of RPL which has been backed by investors such as GSWHL, JERA, Canada Pension Plan Investment Board etc. RPL has raised excess of US\$1 billion from the abovementioned investors. Currently, the portfolio of RPL comprises of ~3 GW operational and ~2.2 GW under construction renewable power projects diversified across eight states and a number of OEMs.

Presence of long term PPAs mitigate off-take risks to a large extent – RWEVPL has signed two long term PPAs one each with MSEDCL and BESCOM, having a tenor of 13 years and 20 years respectively, thereby significantly mitigating any off-take risks. The PPA with MSEDCL has been signed at an attractive feed-in tariff of Rs 5.81 per kWh whereas the PPA with BESCOM has been signed at a tariff of Rs 3.74 per kWh, which ensures adequate project returns and debt coverage levels.

Credit challenges

Increased leverage due to fresh loan impacts liquidity cushion available previously – The SPV had availed a top-up loan in FY2017 and infused it as quasi equity to fund its green-field project in Bableshwar, Karnataka. Besides, the company also availed a fresh loan in FY2018 towards the same purpose. This has impacted the liquidity cushion previously available to the company and affected the debt coverage metrics such as gearing and Total debt/OPBITDA for FY2018. The same stood at 2.3 and 8.3 respectively for FY2018.

High operating risks given the seasonal nature of generation and associated unpredictability of PLFs depending on wind availability

RWEVPL's projects remain exposed to risks arising from non-availability or reduced availability of wind resource. This is accentuated by the fact that tariffs are one part in nature owing to which the company may lose revenues and profits in case of non-generation of power. However, the same is mitigated to some extent as site specific wind resource assessment has been conducted based upon actual wind masts installed on the site as well as the more than ~4.5 years of track record of the Maharashtra asset.

Liquidity Position:

Presence of two quarters of principal and interest obligations in the Debt Service Reserve Account (DSRA) along with adequate cash balance on the balance sheet provide support to the liquidity position of the company. Improvement in payment discipline from MSEDCL has also eased liquidity concerns to a good extent. Lastly, strong parentage with demonstration of group support in the past significantly mitigates liquidity concerns of the company.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers
Parent/Group Support	Parent/Group Company: Renew Power Limited (RPL) We expect RWEVPL's parent, RPL, to be willing to extend financial support to RWEVPL, should there be a need, given the high strategic importance that RWEVPL holds for RPL for meeting its diversification objectives. Both RWEVPL and RPL also share a common name, which in ICRA's opinion would persuade RPL to provide financial support to RWEVPL to protect its reputation from the consequences of a group entity's distress.
Consolidation / Standalone	The ratings are based on the standalone financial profile of the company.

About the company:

Incorporated in September 2011, RWEVPL is a project Special Purpose Vehicle (SPV) promoted by Renew Power Limited (RPL) to set-up and operate two wind power projects, one each in Welturi, Maharashtra and Bableshwar, Karnataka. The Maharashtra asset is a 50.4 MW (24 WTGs of 2.1 MW generation capacity each) wind based power plant while the Karnataka asset is a 40.0 MW (20 WTGs of 2.0 MW generation capacity each) wind based power plant.

The Welturi plant was commissioned in a phased manner during September 2013 – March 2014 with the development and execution being carried out by Suzlon Energy Limited (SEL). The company had also signed an agreement for comprehensive O&M of the Welturi plant with SEL for a period of five years. The company signed a 13 year long PPA with MSEDCL for its 50.4 MW Welturi power plant at a preferential tariff of Rs 5.81 per kWh.

The Bableshwar plant was commissioned in March 2018 with the development and execution being carried out by Siemens Gamesa Renewable Power Private Limited (SGRPPL). The company had also signed an agreement for comprehensive O&M of the Bableshwar plant with SGRPPL for a period of ten years. The company had also signed a 20 year long PPA with BESCOM for the 40.0 MW Bableshwar power plant at a preferential tariff of Rs 3.74 per kWh.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	51.1	63.2
PAT (Rs. crore)	2.1	3.5
OPBDIT/OI (%)	79.1%	80.0%
RoCE (%)	10.2%	7.7%
Total Debt/TNW (times)*	1.4	2.3
Total Debt/OPBDIT (times)*	5.9	8.3
Interest coverage (times)*	1.8	1.9

*adjusted for promoter loan

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)		Chronology of Rating History for the Past 3 Years				
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating January 2019	Date & Rating in FY2018 November 2017	Date & Rating in FY2017 August 2016	Date & Rating in FY2016
1	Term Loan 1	Long Term	190.00		[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB(Stable)	NA
2	Term Loan 2	Long Term	89.00		[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB(Stable)	NA
Total			279.00	256.2				

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 1	Dec-2015	NA	Sep-2030	190.00	[ICRA]BBB+ (Stable)
NA	Term Loan 2	Dec-2015	NA	Sep-2030	89.00	[ICRA]BBB+ (Stable)

Source: RWEVPL

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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