

July 31, 2020

Manifold Agricrops Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Term Loan	24.67	14.48	[ICRA]BBB- (Stable); reaffirmed
Total	24.67	14.48	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation factors in the improvement in the overall debt protection metrics of Manifold Agricrops Private Limited (MAPL) supported by prepayment of project debt in FY2020, aided by funding support from the promoter group (LNB group). Further, the rating continues to positively factor in the presence of a long-term power purchase agreement (PPA) for the company's 10-MW wind power plant with Ajmer Vidyut Vitran Nigam Limited (AVVNL) at an approved feed-in tariff of Rs. 5.18 per unit for 25 years for the entire 10-MW capacity, thus limiting the offtake risk. ICRA also notes that the company has received timely financial support from the LNB group to meet its funding requirements. In addition, the presence of a Debt Service Reserve Account (DSRA) equivalent to three quarter interest and principal repayment in the form of pledged securities from the ultimate holding company Placid Ltd provides an additional comfort.

The rating, however, is constrained by the continued weak operational performance of MAPL, as reflected in a PLF of 9.4% in FY2020 compared to 10.33% in FY2019. The performance was affected when one of the Wind Turbine Generators (WTG) broke down in August 2019 and its rectification work was delayed because of challenges faced by operations and maintenance (O&M) contractor, Inox Wind Infrastructure Services Limited (Inox) in conducting O&M activities at the plant. While the WTG was rectified in March 2020, the machine availability issues are likely to continue, given the weak financial position of the O&M contractor. ICRA, however, notes that the company has taken measures such as direct payment to vendors and appointment of an independent team to supervise the O&M activities, which in turn have improved the generation—an average PLF of 15.34% for March-June 2020 vis-à-vis 6.91% for March-June 2019. The rating further remains constrained by the single location and the single asset nature of the company's operations, along with the vulnerability of its cash flows to seasonality and possible variance in wind power density across the years. This is because the revenues are linked to the actual units generated and exported. The rating is further constrained by the counterparty credit risk pertaining to AVVNL, which has a weak financial profile. ICRA notes that the receivables cycle deteriorated to 291 days as on March 31, 2020 from 56 days as on March 31, 2019. Further, the tariff competitiveness of the PPA is weaker than the average power purchase cost of the off-taker utility. Timeliness in payment pattern from the AVVNL thus remains a key monitorable, especially given the adverse impact on revenues in the current fiscal experienced by all Indian discoms as demand dipped due to lockdown restrictions that have been imposed to contain the Covid-19 pandemic since April 2020. Further, the company is exposed to movement in interest rates, given the fixed tariff rates under the long-term PPA. Also, the regulatory challenges associated with the implementation of scheduling and forecasting framework for wind power projects in Rajasthan pose a risk. However, the impact of the same on the company's revenues has been negligible.

The 'Stable' outlook on the rating reflects ICRA's opinion that the company is likely to benefit from the revised debt repayment schedule as well as the demonstrated support received from the LNB group for meeting its funding requirements. However, the failure to resolve the machine availability issue because of the financial constraints of the O&M contractor i.e. Inox, impedes any improvement in the wind power generation of the plant; and the ability of the company to successfully address the issue will remain a key rating monitorable.

Key rating drivers and their description

Credit strengths

Long-term PPA with AVVNL in place - The company has signed a PPA with AVVNL at a tariff of Rs. 5.18 per unit for the entire capacity for a period of 25 years, which limits the off-take risk.

Long tenure debt availability and presence of DSRA - The long debt tenure of 15 years along with the presence of DSRA equivalent to ensuing two quarter principal and interest obligation in the form of pledged securities from the ultimate parent, Placid Ltd, provides liquidity support.

Significant reduction in outstanding external debt because of prepayment using promoter's loans in FY2020 - Project debt of Rs 7.88 crore was prepaid in FY2020 by infusing unsecured loans from the promoters. Also, the prepaid amount was apportioned towards entire tenure of the loan, which has resulted in improved debt protection metrics for the project.

Credit challenges

Weak operational performance with reported PLF below P90 estimate – The PLFs of the wind farm have remained below the P90 estimate over the past five years, given the machine availability issues due to ineffective O&M by Inox Wind Limited because of its financial constraints. This coupled with breakdown of one of the WTGs in August 2019 and delay in its rectification work owing to challenges faced by Inox, has further affected the PLF levels in FY2020. While the issue with regards to the WTG was rectified in March 2020, the machine availability issues are likely to continue given the weak financial position of the O&M contractor. Thus, timely resolution of the same would be important from a credit perspective.

Vulnerability of cash flows to seasonal nature of wind - The company's cash flows are susceptible to the high seasonality and possible variance in wind power density, given the one-part tariff structure in the PPA with AVVNL. The risk is amplified by the single asset and single location.

Counter party credit risk associated with exposure to single discom (AVVNL) - The counterparty credit risks remain high owing to exposure to a single counterparty AVVNL with weak financial profile. The receivables cycle deteriorated to 291 days as on March 31, 2020 as against 56 days as on March 31, 2019. However, payments were received in the current financial year for bills raised till December 2019. Further, the tariff competitiveness of PPA is weaker than the average power purchase cost of the off-taker utility. The PPA also does not have any clause related to termination penalty in the event of termination of PPA due to any discom event of default. Timeliness in payment pattern from the off-taker utility thus remains a key monitorable, given the adverse impact on revenues in the current fiscal experienced by all Indian discoms as demand dipped due to lockdown restrictions that have been imposed to contain the Covid-19 pandemic since April 2020.

Exposure to interest rate risk - The company remains exposed to interest rate risk, given the single part fixed tariff in PPA and the fact the loans carry fixed interest rate till September 2021, with applicability of reset clause thereafter.

Regulatory risks associated with implementation of forecasting and scheduling regulations - The regulatory challenges associated with the implementation of scheduling and forecasting framework for wind power projects in Rajasthan pose a risk, given the limited experience in scheduling and forecasting for the industry players in India and the variable nature of wind energy generation. However, given the nominal difference between actual and scheduled generations, the extent of impact on MAPL's revenues has been negligible.

Liquidity position: Adequate

The liquidity position of the company is expected to be **adequate**. Though there have been delays in realisation of payments from AVVNL, the presence of DSRA equivalent to ensuing three quarter principal and interest obligation provides liquidity support. Further, the prepayment of Rs 7.88 crore of debt and the funding support from the promoters aid the liquidity.

Rating sensitivities

Positive triggers – The rating may be upgraded if the issues related to the O&M partner are resolved, leading to a sustainable improvement in PLF levels along with consistent improvement in receivables cycle to less than 90 days.

Negative triggers – The rating may be downgraded if the under-performance in generation persists resulting in DSCR of less than 1.15 times. Also, any further stretch in realizing the payments from the offtaker would remain a negative trigger. Further, any unanticipated withdrawal of funding support from the promoter group impacting the company's liquidity would negatively impact the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Energy Projects
Parent/Group Support	The entity is a step-down 100% subsidiary of LNB Renewable Energy Pvt Ltd, which is owned by Placid Ltd. The Placid Ltd is a holding company of the LNB Group. The rating derives comfort from the credit support available from the LNB Group / Placid Ltd for the rated entity, should there be a need in future.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

MAPL, incorporated in 2012, is a special purpose vehicle (SPV) promoted by LNB Wind Energy Private Limited, which is a 100% subsidiary of LNB Renewable Energy Private Limited and is a part of the LNB group. The LNB group has interests in tea plantations, textiles, agriculture, warehousing, real estate, renewable energy, financial services and health and wellness. MAPL owns and operates a 10-MW wind power plant in the Jaisalmer district of Rajasthan. The wind power plant was commissioned on March 31, 2013, at a total cost of Rs. 55.14 crore. The project was developed and executed

by Inox Wind Infrastructure Services Limited, which is also the O&M contractor for the WTGs. The project has a long-term PPA with AVVNL at the approved feed-in tariff rate of Rs. 5.18 per unit for the entire capacity of the plant.

Key financial indicators

	FY2019 (audited)	FY2020 (provisional)
Operating Income (Rs. crore)	5.07	4.68
PAT (Rs. crore)	-1.01	-1.79
OPBDIT/OI (%)	83.10%	71.14%
PAT/OI (%)	-19.97%	-38.32%
Total Outside Liabilities/Tangible Net Worth (times)*	50.15	-47.61
Total Debt/OPBDIT (times)*	9.59	11.96
Interest Coverage (times)#	1.58	1.35

*Including promoters' loan

#Including interest paid on promoters' loan

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2021)			Chronology of Rating History for the past 3 years		
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating July 31, 2020	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
1	Term loan	Long Term	14.48	14.48	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB (Stable)

Amount in Rs. crore; *As on March 31, 2020

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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	July 2014	9.00%	November 2027	14.48	[ICRA]BBB- (Stable)

Source: MAPL

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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