

October 07, 2019

Vayu Urja Bharat Private Limited: Outlook on the long-term rating revised to ‘Negative’ and ‘rating watch with developing implications’ removed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	858.00	858.00	[ICRA]BBB (Negative); outlook revised to ‘Negative’ and rating watch with developing implications removed
Total	858.00	858.00	

Material Event

The High Court of Andhra Pradesh vide its order dated September 24, 2019 set aside the notification issued by the GoAP on formation of a high high-level negotiation committee (HLNC) to review, negotiate and bring down the cost of wind and solar PPAs tied-up by the state distribution utilities. Instead, the high court directed the state discoms and developers to approach Andhra Pradesh Electricity Regulatory Commission (APERC) to decide on the tariff issue. The court has suggested a time frame of six months for APERC to decide on the issue. In the interim, the court directed the discom to make payments for the pending bills and future bills at the rate of Rs. 2.43 per unit for wind power plants.

Impact of Material Event

The 120-MW wind power project of Vayu Urja Bharat Private Limited (VUBPPL) is located in Andhra Pradesh and has a long-term PPA with Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL; one of the two state-owned distribution utilities of Andhra Pradesh) for entire capacity at the approved feed-in tariff rate. The move by the state government to negotiate signed PPAs and their reluctance to make payments against the power generated is having an adverse impact on the credit/liquidity profile of generators including VUBPL. Given that APERC will take upto six months to resolve this issue and the recent precedence of Andhra Pradesh discoms delaying in making the payments to generators, their liquidity profile could become further stretched and ICRA envisages the promoter group to infuse funds in a timely manner and support the operations in case of any exigency. ICRA draws comfort from the presence of a debt service reserve account (DSRA) equivalent to one quarters’ interest and principal obligations and a working capital facility of Rs. 40 crore (presently having a cushion of ~Rs, 10-12 crore). In addition, the company has got an order from APERC dated August 31, 2019 wherein APERC has directed APSPDCL to comply with the terms of the PPA and clear the past dues through instalments instead of making a lump sum payment. However, the company is yet to receive any payments post that order.

ICRA would continue to monitor the developments related to the PPA negotiation and payments from APSPDCL, and take appropriate rating action, post analysing the impact on VUBPL’s financial risk profile.

The previous detailed rating rationale is available on the following link: [Click here](#)

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