October 07, 2019

Mytrah Vayu (Godavari) Private Limited: Rating reaffirmed; outlook remains negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Term Loan	646.25	646.25	Reaffirmed at [ICRA]BBB-; outlook remains Negative
Fund-based - Overdraft	53.00	53.00	Reaffirmed at [ICRA]BBB-; outlook remains Negative
Unallocated	32.75	32.75	Reaffirmed at [ICRA]BBB-; outlook remains Negative
Total	**732.00**	**732.00**	

**Instrument details are provided in Annexure-1*

Rationale

ICRA's reaffirmation of the rating factors in the improvement in liquidity position of Mytrah Vayu (Godavari) Private Limited (MVGPL), with the realisation of ~Rs. 48 crore dues from its sole customer - Southern Power Distribution Company of Telangana Limited (TSSPDCL; distribution utility or discom), which were earlier withheld because of the dispute over the metering point for its 100.8 MW wind power project. While the company completed the shifting of the metering point in April 2019, the withheld dues were released in October 2019. The recent enhancement of the working capital facility and the realisation of the withheld dues have improved the liquidity position of the company and would support in meeting its obligations for another six months, in case of non-receipt of payments from the off-taker. However, ICRA continues the Negative outlook on the rating, in view of the delays in receiving the monthly payments from TSSPDCL. The payments remain pending for the monthly bills raised since December 2018.

This apart, the rating continues to factor in the single location and single asset nature of the company's operations, along with the vulnerability of cash flows to high 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. Further, the rating is constrained by the high leverage level of the company, which is expected to result in modest debt coverage metrics. Also, the debt coverage metrics remain sensitive to any movement in interest rates. Moreover, the financial profile of the Mytrah Group has been affected because of the delays in realising payments for its portfolio in Andhra Pradesh and Telangana. ICRA also notes that the company's operations remain exposed to regulatory challenges arising from the implementation of scheduling and forecasting framework, as approved by the State Electricity Regulatory Commission (SERC) of Telangana. This is mainly due to the limited experience in scheduling and forecasting for the industry players in India and the highly variable nature of wind energy generation.

Nonetheless, the rating continues to draw comfort from the limited demand risks with presence of long-term power purchase agreement (PPA) with TSSPDCL for the entire capacity at the approved feed-in tariff rate. The rating also factors in the eligibility of the project to avail generation-based incentive (GBI) benefit of Rs. 0.5 per unit. Further, the rating takes note of the improvement in operating performance with generation increasing by 40.6% on a year on year (YoY) basis in FY2019 and the PLF exceeding the P90 generation estimate. However, the generation for the first five months of FY2020 is lower by 20.6% on a YoY basis, which if sustained would adversely affect the cash accruals in FY2020. The rating takes note of the 18-year operation and maintenance (O&M) contract with Suzlon Global Services Limited (SGSL), with pricing fixed for the first 13 years. ICRA further draws comfort from the track record of the Group in developing and operating renewable power assets, aggregating to 1.7 GW across eight states.

Key rating drivers and their description

Credit strengths

Limited demand risks - MVGPL has signed a long-term PPA with TSSPDCL for the full capacity at the approved feed-in tariff rate for a period of 25 years, mitigating demand risks. Furthermore, the GBI benefit of Rs. 0.5 per unit augurs well for the project, enhancing cash flows.

Improvement in generation performance in FY2019 - The company demonstrated a healthy operating performance in FY2019, with generation increasing by 40.6% (YoY) over the previous year and the PLF exceeding the P90 generation estimate of 27.8%. The sustainability of this performance is a key rating monitorable.

Long-term O&M contract with SGSL - MVGPL has signed an O&M contract with SGSL for a period of 18 years[1] for comprehensive O&M of the wind turbine generators, with provisions for ensuring adequate machine availability. In case of availability remaining lower than the agreed level, SGSL is liable to pay liquidated damages, subject to a limit mentioned in the contracts. The pricing under the contract is fixed for the first 13 years. The performance of the O&M contractor has remained satisfactory so far.

Long tenure of project debt and competitive interest rate - The debt coverage metrics for the project are supported by the long tenure (15 years) of the project debt and competitive interest rate.

Demonstrated track record of Mytrah Group - The Group has demonstrated significant track record in developing and operating renewable power assets with operational wind power capacity of 1.7 GW spread across eight states.

Credit challenges

Delays in receiving payments from TSSPDCL - The counterparty credit risks remain high owing to the exposure to a single counterparty – TSSPDCL, given its weak financial profile. The payments from TSSPDCL remain pending for the monthly bills raised since December 2018. However, the recent enhancement of the working capital facility and the realisation of dues amounting to Rs. 48 crore withheld over metering point issue, has improved the liquidity profile of the company. Going forward, the timeliness of receiving payments from TSSPDCL would remain a key rating sensitivity.

Moderate debt coverage metrics - The company's leverage level remains high because of relatively high capital cost and additional debt availed under debt refinancing in earlier years. Thus, the company's debt coverage metrics are expected to be moderate and highly sensitive to generation by the wind farm and to any revision in interest rates. While ICRA

[1] Excluding the initial 2-year warranty period

takes note of the improvement of the debt coverage metrics in FY2019 supported by higher generation, the sustainability of the same remains to be seen, especially in view of the 20.6% (YoY) decline in generation in 5M FY2020

Single asset nature of operations - MVGPL is entirely dependent on power generation by the wind power project for its revenues and cash accruals, given the single-part nature of the tariff. As a result, any adverse variation in wind conditions may impact PLF and consequently the cash flows. The single location nature of company's operations amplifies this risk.

Group's financial profile - The financial profile of the Mytrah group has been affected because of the delays in realising payments for its portfolio in Andhra Pradesh and Telangana.

Challenges associated with implementation of forecasting and scheduling regulations - The regulatory challenges arising from the implementation of scheduling and forecasting framework for wind power projects in Telangana pose a risk. This is mainly because of the limited experience in scheduling and forecasting for the industry players in India and the variable nature of wind energy generation.

Liquidity position: Adequate

While the payment delays from its sole off-taker - TSSPDCL is an area of concern for the company, the recent realisation of the pending payment to the tune of Rs. 48 crore and the enhancement in the working capital facility from Rs. 53 crore to Rs. 80 crore is expected to support the company in meeting its obligations over the next six months. The timeliness of realising the regular monthly payments would remain a key monitorable, from the liquidity perspective.

Rating sensitivities

Positive triggers - ICRA could upgrade MVGPL's rating if the wind power portfolio of the company achieves a reduction in average receivable cycle from the off-takers to less than 120 days, on a sustainable basis. In addition, demonstration of generation level in line with the P90 estimates leading to healthy cash accruals would be a positive trigger. Specific credit metrics that could lead to an upgrade of MVGPL's rating include, annual DSCR on project debt greater than 1.20 times on a sustained basis.

Negative triggers - Negative pressure on MVGPL's rating could arise if the delays in payments persist from TSSPDCL leading to further accumulation of receivables and in turn adversely affecting the liquidity position. Also, any under-performance in generation by the wind power project leading to weakening of annual DSCR on project debt to less than 1.10 times would be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Energy Projects
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

MVGPL, incorporated in February 2014, is a special purpose vehicle (SPV) promoted by Mytrah Energy (India) Private Limited (MEIPL). MVGPL is operating a 100.8 MW wind power capacity at Nazeerabad in Telangana. Out of the 100.8 MW, the company commissioned 77.7 MW by March 31, 2016, 21 MW by August 31, 2016 and 2.1 MW in March 2017. The project was developed by MEIPL using Suzlon S97 machine with capacity of 2.1 MW, hub height of 120 meters and rotor diameter of 97 meters. The project has been funded at a total cost of Rs. 795 crore. The project has signed a long-term PPA with TSSPDCL for the entire project capacity at the approved feed-in tariff rate of Rs. 4.70 per unit. MEIPL, incorporated in November 2009, is a leading wind power IPP in India with operational wind and solar power capacity of 1.7 GW spread across eight states under various SPVs.

Key financial indicators

	FY2018 (audited)	FY2019 (provisional)
Operating Income (Rs. crore)	104.26	139.65
PAT (Rs. crore)	-8.07	3.04
OPBDIT/OI (%)	97.11%	87.93%
RoCE (%)	7.44%	10.10%
Total Outside Liabilities/Tangible Net Worth (times)	7.10	6.89
Total Debt/OPBDIT (times)	7.02	5.69
Interest Coverage (times)	1.42	1.59
DSCR	1.09	1.20

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs crore)	Current Rating (FY2020)		Chronology of Rating History for the past 3 years		
					07-October 2019	31-May 2019	Date & Rating in FY2019 -	Date & Rating in FY2018 08-March 2018	Date & Rating in FY2017 13-January 2017
1	Term loan	Long Term	646.25	646.25	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	Fund-based	Long Term	53.00	-	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
3	Unallocated	Long Term	32.75	-	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	-	[ICRA]BBB (Stable)	-

Amount in Rs. Crore

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	March-2017	NA	Dec-2031	646.25	[ICRA]BBB- (Negative)
NA	Fund-based Limit	-	-	-	53.00	[ICRA]BBB- (Negative)
NA	Unallocated	-	-	-	32.75	[ICRA]BBB- (Negative)

Source: MVGPL

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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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.

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