

Matrix Wind Energy Private Limited

April 07, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	66.69 (Reduced from 80.82)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	66.69 (Rs. Sixty-Six Crore and Sixty-Nine Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in ratings assigned to the bank facilities of Matrix Wind Energy Private Limited (MWEPL) factors in the established presence of the promoters in the renewable energy segment, long term Power Purchase Agreement (PPA) with established commercial real estate developers under Group Captive Scheme with timely realisation of payments from off takers, satisfactory leverage, O&M agreement with reputed turbine supplier and presence of escrow mechanism along with maintenance of DSRA equivalent to two quarters of interest and debt payment.

The ratings are however, tempered by subdued operational performance during FY21 and 9MFY22 due to impact of work from home leading to lower off-take coupled with volatility in power offtake with short term PPAs entered with several captive consumers, subdued financial performance in FY21 and vulnerability of power generation to wind patterns and climatic conditions.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained performance of the power units with generation equal to/or higher than P-90 level and or improved tariffs
- Timely receipt of payments from off takers on a continuous basis

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Power generation consistently lower than P-90 level impacting the cashflow position
- Significant delays in receipt of payment from counter parties for more than 60 days
- Any renegotiation in the existing PPA leading to significant reduction in tariffs and or any adverse change in State regulatory policy impacting the cashflows.

Detailed description of the key rating drivers

Key Rating Strengths

Experience of the promoters with established track record in the renewable segment - MWEPL has been promoted by Mr Kasu Abhiram Reddy and Mr Maurya Pydah. Mr Reddy has 15 years of experience in developing independent power projects. Mr Pydah has experience in managing diverse nature of businesses including educational trust, consumer electronics distribution, real estate development and FMCG goods distribution.

Firm off-take arrangement through long term PPA under Group Captive Scheme and timely receipt of payments

MWEPL has tied up long term power off-take through PPA with two established commercial real estate developers who have developed a large IT SEZ park in Bangalore. The developers in turn supply power to IT/ITES companies like Accenture, International Business Machine (IBM) etc. The PPA is valid for 20 years (till 2034) with tariff benchmarked to BESCO price. The captive nature of the plant along with reputed end users results in relatively lower counterparty credit risk and the same is also reflected from timely payments from off takers.

Low Regulatory risk - MWEPL has entered into an agreement with Karnataka Power Transmission Company Limited (KPTCL, transmission network provider), Hubli Electricity Supply Company Limited (HESCOM) and BESCO (distribution network provider) on October 7, 2016 for wheeling and banking of the power generated where the wheeling and banking charges have been fixed at 5% and 2% respectively for a period of 10 years from the COD (i.e. from September 9, 2016 till September 9, 2026 whereas the loan tenure is up to August 2029). The same is in line with regulation on wheeling and banking charges passed by Karnataka Electricity Regulatory Commission (KERC). The fixed charges thus provide stability to the cash flows for a longer term and minimize regulatory risk.

Satisfactory capital structure: The company has a satisfactory capital structure and the overall gearing improved from 1.3x as on March 31, 2020 to 1.04x as on March 31, 2021 at the back of improvement in net worth and reduction at debt level upon gradual repayments. The project funding was done through unsecured loans of Rs.52.94 crore which are subordinated to bank loans and hence considered as quasi-equity. The PBILDT interest coverage ratio though declined to 2.22x in FY21 is still satisfactory.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Weaknesses

Subdued performance due to wind variations across India and prevalent work from home situation - MWEPL has achieved satisfactory operation in FY19 and FY20 in line with the P-90 levels. The PLF during FY19 and FY20 stood at 25.55% and 26.45% respectively as against the P-90 PLF of 26.4%. However, the generation has seen moderation FY21 on the account of slower winds especially during the peak wind season. During FY21, the company has achieved PLF levels of 20.21% which is lower than the P90 levels of 26.4%. In the current fiscal for the period 9MFY22, the company achieved the 18.92% due to lower offtake on account of prevalent work from home situation.

Subdued financial performance during FY21 - The total operating income of MWEPL decreased by 23.6% during FY21 to Rs.32.16 crore from Rs.42.08 crore in FY20 on account of variations in wind which was witnessed across India. PBILDT margin declined from 75.78% in FY20 to 64.82% in FY21 to mainly on the account increased maintenance expenses. Consequently, PAT margin stood at 6.57% in FY21. In the current year, during 9MFY22, the total billing stood at Rs 20.0 crore as against Rs.21.83 crore in 9MFY21 due to lower offtake by the captive consumers.

Volatility in power offtake – Though MWEPL has signed long-term PPA's with captive consumers, it also supplies power to various third parties on short term PPA basis. The tariff for such ST PPAs is on lower side. While the third-party supplies enabled the company to ensure regular power offtake and support liquidity, the same also results in volatility in business operation. During 9MFY22, the company has sold 48.4% of the units generated to the captive consumers and the rest to various third parties.

Volatility in tariff; although exhibits an increasing trend over the years - According to the terms of PPA, the tariff charged by MWEPL is correlated with the tariff charged by BESCO which exposes the company to volatility in tariff that may lead to revenue loss if there is any reduction in tariff in the future. However, over last three years the tariffs have seen a moderate increasing trend which reduces the risk of volatility in the near future.

Susceptibility of operating performance and exposure to variation in wind conditions - Wind power in India is highly seasonal, with most of the generation taking place during the summer and monsoon season. MWEPL's wind power operations are highly dependent on availability of strong winds and adverse climate can have a bearing on the profitability and subsequently on the credit profile of the company.

Liquidity: Stretched

Due to sub optimal performance the company expects to generate cash flow of Rs.19.27 crore in FY22 as against the principal repayment of Rs.10.73 crore and Interest obligation of Rs 7.84 crore. The company has been maintaining DSRA equivalent to requirement of 2 quarter principal and interest obligation. Further, the receipt of payments from off-takers is also satisfactory with bills received within the month of raising invoice. However, the company does not have tied up working capital limits as a liquidity backup.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Infrastructure Sector Ratings](#)

[Power Generation Projects](#)

[Wind Power Projects](#)

About the Company

Incorporated in August 2005, MWEPL has been promoted by Mr Kasu Abhiram Reddy and Mr Maurya Pydah based in Hyderabad, Telangana. The company has commenced operation of 24 MW (12 x 2MW) wind power project on September 09, 2016, at Hebbal, Bijapur district in Karnataka. The company has entered into PPAs with two captive consumers who are primarily into developing office space in Bangalore. The two captive consumers, cumulatively hold 26% stake in MWEPL.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	42.08	32.16	NA
PBILDT	31.89	20.85	NA
PAT	9.09	2.11	NA
Overall gearing (times)	1.30	1.04	NA
Interest coverage (times)	2.78	2.22	NA

A: Audited UA: Un-audited NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	May 2029	66.69	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	66.69	CARE BBB+; Stable	-	1)CARE BBB+; Stable (22-Mar-21)	1)CARE BBB+; Stable (18-Feb-20)	1)CARE BBB; Stable (10-Dec-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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