# Beta Wind Farm Private Limited

November 09, 2022

## Rating

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 752.06 (Reduced from 805.43) | CARE B+; Stable (Single B Plus; Outlook: Stable) | Revised from CARE D (Single D); Stable outlook assigned |
| **Total Bank Facilities** | **752.06 (₹ Seven Hundred Fifty-Two Crore and Six Lakhs Only)** | | |

Details of instruments/facilities in Annexure-1.

## Detailed rationale and key rating drivers

The revision in rating assigned to the bank facilities of Beta Wind Farm Private Limited (BWF) takes into account the regularization of debt servicing for more than 10 months. The rating remains constrained by the declining PLF over the past few years and seasonality associated with wind power generation. The rating is further weakened by the stretched liquidity profile of the company with tightly matched accruals to repayment obligations.

However, the ratings derive strength from established presence in the renewable segment with relationships with reputed clientele in group captive arrangement.

## Rating sensitivities

**Positive factors – Factors that could lead to positive rating action/upgrade:**

- Improvement in PLF to 23%
- Improved collections with Collection period less than 120 days

**Negative factors – Factors that could lead to negative rating action/downgrade:**

- Deterioration in the debt coverage indicators with interest coverage reaching below 1.2 times
- Any further exposure to group companies

## Detailed description of the key rating drivers

**Key Rating Weaknesses**

**Delay in collections of receivables:** BWF's collection period remains elevated due to the stretch in collections from AP Discom. The outstanding receivables from AP DISCOM as on June 30, 2022 was ₹ 101 crore. However, some momentum is seen in collection of these receivables from August 2022. AP has opted for EMI scheme, as declared by the Ministry of Power in its circular dated June 3, 2022, for clearing the past overdue within 12 months. In this regard, BWF has received ₹18 crore until October 05, 2022.

**Moderation in operational performance:** In recent years, due to reduced wind availability and malfunctioning of wind generators, generation levels have been significantly reduced, resulting in lower operating revenues. While in FY21 (refers to the period April 1 to March 31), lower power generation was due to lower wind availability, the reason for the same in FY22 and FY23 is attributed to stability issues in some of the machines. PLF has been reducing from 23% in FY18 to 19% in FY22. Sale of power to captive consumers and discoms have degrown from ₹ 222 crore to ₹167 crore in FY 2022.

In addition to captive consumers and Discoms, the company sells to power exchange generating a consistent revenue of about ₹25-₹30 crores every year (tariff rates are higher). However, there was delay in receipt of Renewable Energy Certificates (REC) in FY21, which led to lower revenues of about ₹172 crores in FY 2021. The same has been realized and accounted in FY22 and the total revenues surged to ₹ 220 crores in FY 2022.

**Seasonality associated with wind generation:** Wind farms are exposed to inherent risk of climate fluctuations leading to variations in the wind patterns which affects the PLF. Generally, the wind farms enjoy higher PLF during May to September period (Monsoon period), whereas the PLF is relatively low during the other seasons. During the off-season stretching from October to April, wind generation dips significantly impacting the cash flows

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

**Key Rating Strengths**

**Established presence in renewable energy segment:** BWF is a subsidiary of Orient Green Power Company Limited (OGPL), a part of Shriram Group. As of March 2022, OGPL had a portfolio of operational wind capacity of 417 MW. For FY22, OGPL reported net loss of ₹ 21.73 crore (PY: ₹ 7.97 crore) on a total income of ₹ 29.78 crore (PY: ₹ 29.47 crore). On a consolidated basis, however, the company has made a profit of ₹ 35.78 crore in FY22 as against loss of ₹ 57.01 crore in FY21.

**Group captive arrangement with established and reputed clientele:** BWFL has group captive arrangement with the reputed clients in various industries for a total annual contract for 2898.71 lakh units. The customer mix under the group structure is moderately diversified with capacity tied up with automotive/automotive ancillary, Textile players, pharmaceuticals, information technology and industrials.

**Industry Outlook:**

Wind power projects benefit from the established track record of technology in India, long-term revenue visibility with long-term off-take arrangements at a fixed tariff, minimal O&M requirements, tariffs comparable to conventional power generation, must-run status of these projects, and greater investor interest due to ESG compliance features with attractive returns. However, there are concerns like inadequate grid connectivity on account of poor evacuation infrastructure, erratic nature of generation, regulatory haze in terms of renegotiation of tariff in concluded PPAs, significant payment delays by few state discoms on the back of weakening of their financial risk profile, and increased difficulties in debt tie-up. Going forward, the key monitorable would be the wind power generation in the upcoming high wind season, the ability of WTG manufacturers to deliver the committed level of generations with new machines, developments in claim of off-takers for renegotiation of PPAs, and financial health of discoms.

## Liquidity: Stretched

The liquidity is stretched with low cash flow as against the repayment obligations. The company does not maintain one quarter DSRA and the lenders had last extended timeline for creation of DSRA up to March 2022. However, it is expected that upon receipt of AP Discoms for past dues and receipt of REC proceeds, the company would be able to meet its debt obligations.

## Analytical approach

Standalone

## Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Policy On Curing Period
Rating Outlook and Credit Watch
Infrastructure Sector Ratings
Wind Power Projects

## About the company

Beta Wind Farm Private Ltd. (BWF), a project SPV, was incorporated for setting up of wind farm under the Group Captive Power Plant Policy in the state of Tamil Nadu. The company has subsequently expanded to other states namely, Gujarat, Karnataka and Andhra Pradesh. BWF is a subsidiary of Orient Green Power Company Limited, which is holding 74% stake and the remaining 26% held by various group captive consumers. The company sells power generated, to discoms like Andhra Pradesh discom (Central power Distribution Company of Andhra Pradesh Limited) and Gujarat discom (Gujarat Urja Vikas Nigam Limited) and to captive customers. The company's wind assets currently aggregate to 242 MW as on September 30, 2022 out of which 25.2 MW is for Gujarat, 50.4 MW is for APDISCOM, 1.25 MW for MESCOM and the rest is committed for Group Captive.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | H1FY23 (Prov.) |
|---|---|---|---|
| Total operating income | 172.48 | 220.65 | NA |
| PBILDT | 113.99 | 167.98 | NA |
| PAT | -55.17 | 35.96 | NA |
| Overall gearing (times) | NM | NM | NA |
| Interest coverage (times) | 0.98 | 1.61 | NA |

A: Audited; Prov.: Provisional

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** 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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | | - | - | - | 22.03 | CARE B+; Stable |
| Fund-based - LT-Term Loan | | - | - | Sep 2033 | 730.03 | CARE B+; Stable |

## Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Term Loan | - | - | - | | | | |
| 2 | Fund-based - LT-Cash Credit | - | - | - | | | | |
| 3 | Fund-based - LT-External Commercial Borrowings | - | - | - | | | | |
| 4 | Fund-based - LT-Term Loan | LT* | 730.03 | CARE B+; Stable | - | 1)CARE D (17-Feb-22) | 1)CARE D (01-Mar-21) | 1)CARE D (06-Jan-20) |
| 5 | Fund-based - LT-Cash Credit | LT | 22.03 | CARE B+; Stable | - | 1)CARE D (17-Feb-22) | 1)CARE D (01-Mar-21) | 1)CARE D (06-Jan-20) |

*Long term

## Annexure-3: Detailed explanation of the covenants of the rated instruments/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-Cash Credit | Simple |
| 2 | 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 instruments:** CARE Ratings 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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