Mytrah Aadhya Power Private Limited

February 10, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	248.79 (Reduced from 269.90)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total Facilities	248.79 (Rs. Two Hundred Forty-Eight Crore and Seventy-Nine Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Mytrah Aadhya Power Private Limited (Mytrah Aadhya) continues to derive strength from satisfactory experience of promoters in the renewable sector, long term Power Purchase Agreement (PPA) with Punjab State Distribution Utility with timely receipt of payments from the Discom, established PV module and inverter suppliers, long debt repayment tenure with presence of TRA with structured payment mechanism and stable outlook for the renewable power sector. The rating also factors in satisfactory financial performance during FY20 (FY refers to period from April 01 to March 31) and minimal impact of Covid on the business operation in the current fiscal which along with timely realizations from Discom and moratorium on debt servicing availed has enabled the company to create Debt Service Reserve Account (DSRA) during the current fiscal. The rating strengths, however, are tempered by the moderate operational performance with PLF lower than P90 level for both the units despite about three years of track record of operation, moderation in credit profile of the parent entity with operations and maintenance handled in-house, moderate financial profile of Punjab DISCOM, high capital cost of the project impacting the cashflows and coverage ratios and inherent business risk associated with dependence on climatic conditions and technological risk.

Rating Sensitivities

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

- Improvement in PLF at/or P-90 levels on a sustained basis
- Improvement in credit profile of Holding Company and Mytrah Group as a whole

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

- Operation of the plants at a sub-optimum PLF thereby impacting the revenue and profit with PBILDT margin reducing to below 80% on a sustained basis
- Delays in receipt of payments beyond 60 days from off-taker on a sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Satisfactory experience of promoters in renewable sector: Mytrah Aadhya belongs to Mytrah Group, a major Independent Power Producer in the Indian renewable energy segment with over 1.8 GW capacity of operational wind and solar energy assets. The group is headed by Mr. Ravi Kailas (Chairman), who has more than two decades of experience in the industry.

While the group has experience of setting up renewable energy units; it has sizeable presence in Andhra Pradesh and Telangana State from where the entire group has been facing payment shortfall from the off-takers.

Established PV module and inverter suppliers: Mytrah Aadhya is using the PV modules and inverters from reputed players in the segment, who are placed among the Tier-1 PV module manufacturers and are leading manufacturers in the global PV inverter segment. The company has also entered into Operation and Maintenance (O&M) Agreement with holding company, Mytrah Energy India Private Limited. However, the parent's credit profile has undergone moderation over the past few years. There exists suitable warranties/guarantee from the module and inverter suppliers.

Presence of Long term PPA and timely receipt of payment from the off-taker: Mytrah Aadhya has entered into PPAs with Punjab State Power Corporation Limited (PSPCL) for the entire power off-take for a period of 25 years at a fixed tariff of Rs.5.97/Kwh for both project sites. The PPA stipulates payments to be received within 60 days of raising invoice and Mytrah Aadhya has been receiving payments in a timely manner from PSPCL within an average of 45 days in FY20 and 32 days during 8MFY21. The company also provides rebate to the DISCOM for the timely release of payments and while there has been additional discount on account of Covid-19 to the Discom for the months of April 2020 to June 2020, the same has been discontinued post that.

Structured payment mechanism: The project entails a longer debt duration of 15 years (including one year of moratorium period), which is within the tenor of PPA. The company is maintaining Trust and Retention Account (TRA) / Escrow Account where cash flows from both sites gets transferred with priority for debt servicing in waterfall (post statutory dues and O/M expenses). This apart, the lenders have stipulated maintenance of DSRA equivalent to 2 quarters of principal and interest servicing throughout the tenor of the term loan. While the earlier DSRA created for entirely dipped into, the company has

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

replenished the same in current fiscal with DSRA for one quarter created (in the form of fixed deposits and balance one quarter pending creation with bank.

Satisfactory financial performance during FY20: The company reported satisfactory financial performance during FY20 backed by marginal improvement in PLF level during the year vis-à-vis FY19. PBILDT margin stood at 90.85% in FY20. Due to high capital charge (int. & dep.), the company has incurred net loss of Rs.7.22 crore during FY20 (Rs.10.33 during FY19). Nevertheless, the company has reported gross cash accruals of Rs.12.68 crore during the year.

Minimal impact of Covid-19 pandemic on business activities: The Government of India had announced lockdown from the period March 21, 2020 to May 03, 2020 given the outbreak of global pandemic Covid-19. The Ministry of New and Renewable Energy (MNRE) had given 'must run' status for renewable energy projects and hence, the impact on power generation has been limited. The company did not face any power generation disruption due to COVID 19. However, with a view to conserve cash, the company availed moratorium on debt servicing (both interest and principal payable quarterly) for the period March 2020 to August 2020.

Stable industry outlook: There is great thrust from Government for improving the share of renewable power in India's overall power mix which is reflected from various policy initiatives. Solar projects have relatively lower execution risks, stable 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 solar power projects and upward revision in solar RPO achievement targets. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter RPO enforcement by the state regulators, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook. Going forward key monitorable would be prices of solar modules, performance of the modules in Indian conditions, developments in claim of off-takers for renegotiation of PPAs, modalities to compensate under change in law for safeguard duty, payment pattern of off-takers, imposition of any anti-dumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance.

Key Rating Weaknesses

Moderation operational performance: The project sites started its commercial operation during Q1FY18 and thus has close to about three years of track record of operation. However, both the units have been operating at a sub-optimal level with PLF below 90 for both the project sites. The PLF during FY20 stood at 17.82% which improved during 9MFY21 and stood at 19.18%, however it continues to remain below P-90. While there have been technical glitches in the past which has been restored, the lower generation every year is also attributable to heavy fog in Punjab state during November to January every year which would continue. Hence, the ability to improve the operations would drive the growth prospects.

Single counter-party credit risk: Given the entire off-take with a single distribution utility (PSPCL), the company is exposed to counter-party credit risk. PSPCL has a moderate credit risk profile; although Mytrah Aadhya has been receiving payments from the off-taker in a timely manner. The continuity of same would be highly important from credit perspective.

High capital cost: The project has a relatively higher cost of borrowing which along with lower than envisaged operational performance has an impact on the cashflows of the company. The coverage metrics have also been at a moderate level which have been supported by creation of DSRA to an extent.

Climactic and technological risks: The solar power projects are subject to risk associated with changes in climatic conditions, amount of degradation of modules as well as technological risks due to limited track-record of solar technology in India.

Liquidity: Adequate

The liquidity position is characterized by sufficient cushion in accruals vis-à-vis repayment obligations and timely receipt of payments from off-taker. The company has availed interest and principal moratorium on term loan from March 2020 to August 2020 as provided by RBI under Covid-19 relief guidelines. The lenders have stipulated DSRA maintenance of 2 quarters against which the company has created DSRA in the form of fixed deposits which covers approx. 1 quarter debt servicing. For the balance 1 quarter, funds has been allocated for creation of FD and is in the process of being created by bank.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Power Generation Projects
Rating Methodology: Solar Power Projects
Financial ratios - Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company

Mytrah Aadhya Power Private Limited (Mytrah Aadhya), incorporated in July 2015, is a special purpose vehicle (SPV) promoted by Mytrah Energy (India) Private Limited. Mytrah Aadhya was incorporated to develop and operate solar power capacity aggregating 50 MW at two different sites (Bareta and Balran; each 25 MW) in Punjab. Mytrah Aadhya commenced power generation for Bareta and Balran sites during April and May 2017 respectively, post synchronisation with the grid, with Commercial Operation Date (COD) recognized as October 18, 2017. The company has tied up Power Purchase Agreement (PPA) with Punjab State Power Corporation Limited (PSPCL). The PPA has been tied up for a period of 25 years at a fixed tariff of about Rs.5.97/Kwh for both project sites.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	46.53	46.48
PBILDT	37.45	42.23
PAT	(10.33)	(7.22)
Overall gearing (times)	5.47	6.58
Interest coverage (times)	1.22	1.41

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Available

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

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

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

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Sept. 2033	228.79	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BBB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	228.79	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Feb-20)	1)CARE BBB; Stable (04-Jan-19)	-
2.	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Feb-20)	1)CARE BBB; Stable (04-Jan-19)	-

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

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

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

Contact us

Media Contact
Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact
Puja Jalan
Contact no.: +91-91600 01511
Email ID: puja.jalan@careratings.com

Business Development Contact
Ramesh Bob
Contact no. : +91-90520 00521
Email ID: ramesh.bob@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**