

Atria Wind Power (Basavana Bagewadi) Private Limited (Revised)

November 24, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	164.00 (Reduced from 178.20)	CARE BB; Stable	Revised from CARE BB+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating of the long-term bank facilities of Atria Wind Power (Basavana Bagewadi) Private Limited [AWBB] factors in continuing lower generation levels as against P90 estimates, absence of power purchase agreement (PPA) tie-ups for portion of the power generation on account of exit of some of the major existing customers leading to company requiring regular cash flow support from group entities. CARE Ratings Limited (CARE Ratings) also takes note of moderation in the credit profile of the holding company of the Atria group, viz., Atria Brindavan Power Private Limited (ABPPL).

The rating continues to be constrained by the execution and funding risks associated with the upcoming hybrid structure in the existing plant location, although the plan is still in nascent stages, and the operating performance is highly dependent on the climate and wind density at the project location.

However, these rating weaknesses are partially offset by the Atria group's established track record in renewable power generation, and more than four years of track record of operations of the plant. The rating also takes into account the presence of a long-term operation and maintenance (O&M) agreement with a reputed contractor, and the maintenance of the required two-quarters of a debt service reserve account (DSRA).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustenance of the net plant load factor (PLF) of above 27% and collection cycle below 30 days while becoming self-sustainable with the company achieving PPA tie-ups for full capacity.

Negative factors

- Elongation in the receivables cycle from off-takers from current levels, leading to deterioration in the liquidity profile of the company.
- Any additional debt availing by the company or subdued generation leading to minimum debt service coverage ratio (DSCR) below 1.00x.

Analytical approach:

Standalone

Outlook: Stable

The stable outlook is on account of CARE Ratings' expectation on the continuation of the cash flow support from group entities to the AWBB, till it becomes self-sustainable with tie-up of new PPAs in place of the PPAs with the exited customers.

Detailed description of the key rating drivers:

Key weaknesses

Continuing subdued generation levels

AWBB is operating a 39.6-megawatt (MW) wind power project, which commenced operations on April 18, 2018, and has more than five years of track record of operations. However, the generation levels continue to remain moderate, with a PLF of 26.17% in FY23 (24.74% in FY22 and 25.13% in FY21) as against the P90 PLF of 31.10%. The improvement is primarily on account of increase in wind velocity at the project site. During H1FY24, the PLF level stood at 38.48% as against 34.83% during H1FY23. CARE Ratings notes that an improvement in the generation levels to the near P90 levels will be critical from the credit perspective of the company.

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

Termination of some of the PPAs leading to requiring support from group entities

During H1FY24, AWBB could sell only 27% of the generated units on account of termination of many of the PPAs from existing customers, leading to the company requiring support from group entities. During H1FY24, AWBB received ₹9.79 crore of funding support from group entities.

As articulated by the company's management, the support from the other entities of the group is expected to continue till the company becomes self-sustainable which is expected to happen by Q4FY24. CARE Ratings notes that the company's ability to quickly tie-up the PPAs with reputed customers for balance capacity to become self-sustainable is the key to credit prospects of the company and is a key monitorable.

Moderation in credit profile of the promoter

ABPPL is the ultimate holding company for the power assets of the Atria group. It had raised non-convertible debentures (NCDs) against pledge of shares of the promoters during FY17 and FY18, and the same was used towards equity infusion in the special purpose vehicles (SPVs). The NCDs raised have to be redeemed in two tranches, i.e., in December 2022 (20% of principal) and in December 2023 (the balance 80% of principal) along with the agreed internal rate of return (IRR). ABPPL had repaid 20% of the NCDs along with the interest during December 2022, majorly from leveraging its SPVs, its internal accruals, and funds raised at the assets at the promoter's level.

Considering the balance 80% of the NCDs will be due for redemption in the second half of FY24 along with the interest, high refinancing risk persists. ABPPL is still exploring various opportunities to refinance the said NCDs, including extension of the tenor. The timely refinancing of the existing high-cost debt will be crucial from the credit perspective of the ABPPL. As per CARE Ratings' observations, it is essential for ABPPL to replace the existing NCDs with equity, as the case of refinancing the same with debt rather than equity is likely to weaken the credit profile of ABPPL, as the internal accruals will continue to remain insufficient to repay the interest or principal on such debt.

Execution and financing risks associated with the proposed solar power plant

The company plans to set up a 30-MW solar power plant thus making it a hybrid structure of wind and solar. The project would be using the existing evacuation infrastructure. It is expected that the solar units generated can be injected during the lean period of wind generation and vice versa, and hence, the same evacuation structure would suffice. The project is at nascent stages and currently on hold, till the refinancing of NCDs is carried out at the holding company level.

Operating performance highly dependent on climate and wind density

Wind power generation projects are exposed to the inherent risk of weather fluctuations, leading to variations in wind patterns, which affect the PLF. Wind projects are subject to loss in PLF owing to several meteorological phenomena collectively called wind shear. The magnitude of loss due to the wind shear depends on the site's surrounding ground cover, trees, and topographic features such as hills and valleys. The PLF for wind power generators may fluctuate depending on the climatic conditions.

Although wind assessment studies undertaken at the time of conceptualisation of various projects indicate a healthy power generation potential, the achievement of the envisaged PLF on a sustained basis will remain crucial from the credit perspective.

Key strengths**Long track record of promoters along with the group's established track record in renewable power generation**

AWBB is a part of the Atria group, which was founded by Chinnaswamy S Raju more than five decades ago, and operates in various industries that include hospitality, real estate, education, and power. The Atria group derives strength from its experienced promoters and management team. The present directors of the group, Sunder Raju and K Nagaraju, each have more than 30 years of experience in the power sector. ABPPL, the flagship company of the Atria group, holds the group's renewable assets through various SPVs. The group has continuously expanded its capacity over the years, with a significant number of projects becoming operational from FY17 onwards. Also, including some assets in individual capacity, it has an operational capacity of around 550 MW as on September 30, 2023.

Long-term O&M agreement with a reputed contractor

AWBB has entered into an O&M service contract with a reputed contractor for a period of 15 years, including two years of free service from the date of commissioning. The scope of services includes scheduled and unscheduled maintenance, operation and management, supply of spares, repair or replacement of defective parts, remote surveillance, and reporting.

Industry outlook:

India has achieved a significant installed renewable energy (RE) capacity of approximately 125 GW as of March 31, 2023. Solar capacity leads the way at 67 GW, followed by wind capacity at 43 GW. The contribution of renewable energy to the overall energy

mix of the country, in terms of capacity, has improved from 15% at the end of FY16 to 30% at the end of FY23. The Government of India (GoI) has set ambitious targets to reach 500 GW of non-fossil-fuel-based capacity by 2030, with segment-wise targets of 280 GW for solar and 140 GW for wind. The strong focus of the government in formulating and implementing policies has been a major catalyst for the growth of the renewable energy sector. Considering the healthy pipeline of over 55 GW assets under development, CARE Ratings expects annual RE installations in FY24 to be around 20 GW, led by the solar sub-segment, followed by 25+ GW in subsequent year thus leading to cumulative increase in installations by 45 GW over the next two fiscals.

Liquidity: Stretched

The liquidity of the company is stretched considering the company generation capacity is not fully tied up as of September 2023 due to termination of some of the existing PPAs and 73% amount of the generated units remains under inventory during H1FY24. As on September 19, 2023, AWBB has cash and bank balance of ₹0.28 crore and is maintaining two quarter DSRA of ₹16.50 crore.

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](#)

[Wind Power Projects](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power generation

AWBB, incorporated on December 8, 2015, is an SPV incorporated by Atria Wind Private Limited (AWPL) for setting up a wind farm at Basavana Bagewadi, Bijapur Taluk, Karnataka, with an aggregate capacity of 39.6 MW at an estimated cost of ₹287 crore (₹7.25 crore per MW) with a debt to equity mix of 3:1. The project achieved its commercial operation date (COD) on April 18, 2018. AWPL holds 73.11% in AWBB, which in turn, is held 100% by ABPPL (the ultimate promoter company).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	38.05	41.16	29.83
PBILDT	29.36	33.01	27.26
PAT	-13.75	-3.09	10.05
Overall gearing (times)	35.68	83.44	NA
Interest coverage (times)	1.43	2.02	3.16

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
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Fund-based - LT-Term loan	-	-	-	June 2032	164.00	CARE BB; Stable
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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 2023-2024	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
1	Fund-based - LT-Term loan	LT*	164.00	CARE BB; Stable	-	1)CARE BB+; Stable (13-Sep-22)	1)CARE BBB; Stable (21-Oct-21)	-

*LT: Long term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple

Annexure-5: Lender details

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

Note on the 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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About us:

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