Vena Energy Fatanpur Power Private Limited

June 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	528.64 (Reduced from 546.98)	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of Vena Energy Fatanpur Power Private Limited (VEFPPL) derives strength from the presence of a 25-year Power Purchase Agreement (PPA) with M.P. Power Management Company Limited (MPPMCL, rated CARE BBB-; Stable/CARE A3) at fixed tariff of Rs.5.92 per unit which provides long term revenue visibility. The rating continues to derive strength from the operational track record of more than eight years with satisfactory generation levels, though the same was impacted in FY24 due to lower wind speeds. The rating favourably factors in the company being part of the Vena group with a long-standing track record of its promoters in the renewable energy sector, VEFPPL's moderately comfortable debt coverage indicators, presence of cash sweep mechanism, maintenance of two quarters of debt servicing reserve account (DSRA) and an additional reserve equivalent to one quarter of debt servicing.

These rating strengths are partially offset on account of relatively weak credit profile of the off-taker leading to elongated receivable cycle. While the offtaker has opted to clear the past dues of VEFPPL in 40 equal EMIs, the full receipt of the outstanding amount remains to be seen. The rating is further constrained on account of interest rate fluctuation risk, dependence on climatic conditions and wind patterns.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the generation of the plant with plant load factor (PLF) level to P75, leading to improvement in the debt coverage indicators while maintaining satisfactory collection efficiency.
- Faster than expected deleveraging of the asset.

Negative factors

- Decline in the generation to capacity utilisation factor (CUF) below 19% on a sustained basis.
- Receivables remaining above 300 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook on the ratings of VEFPPL reflects CARE Ratings' opinion that the company would benefit from its long-term PPA with MPPMCL. Also, the expectation of satisfactory generation and collection performance supports the outlook.

Detailed description of the key rating drivers:

Key strengths

Revenue visibility on account of long-term PPA for the entire capacity

VEFPPL has entered into a long-term PPA, in various phases, with MPPMCL for a period of 25 years from the COD, i.e., March 2016, for a fixed price of ₹5.92 per KWh, thereby providing long term revenue visibility. Further, the project is entitled to generation-based incentive at the rate of Rs.0.5/unit.

Operational track record of more than 8 years, improvement in generation in FY24 vis-à-vis FY23

The project achieved its commercial operation date (COD) in March 2016 and has an operational track record of more than eight years. The generation levels of VEFPPL during FY24 marginally improved to PLF of 20.09% vis-à-vis 19.34% in FY23 though remained below P-90 levels due to lower wind speeds witnessed across region (unseasonable and sharp reduction in wind speeds across all windy states in India). Further, the grid availability continued to be healthy at 100% during FY24 (PY: 100%).

Going forward, maintaining generation levels in-line/ above with P-90 estimates would continue to be a key rating monitorable.

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

Moderate debt coverage indicators
As on March 31, 2024, VEFPPL had ₹528.64 crore of term debt outstanding, resulting in a debt/MW of ₹4.89 crore. The term loan is repayable till March 2037, thus resulting in a tail period of 4 years. The coverage indicators are moderate as reflected by an average DSCR of 1.18x. Furthermore, structural features such as presence of cash sweep, one quarter additional reserve apart from two quarter DSRA provides comfort.

Experienced promoters, part of Vena Energy group with proven track record in implementation and running of projects in renewable energy sector
VEFPPL is part of the Vena Energy group. The group is one of the largest renewable energy producers with over 180 solar, wind and hydro projects comprising around 6.5 GW of combined wind and solar projects in operation and under construction and 39 GW of development pipeline with presence around Asia Pacific region in seven countries - Australia, India, Indonesia, Japan, Taiwan, Thailand and Philippines. Vena Energy India has a portfolio of wind and solar energy generation assets exceeding 750 MW. Vena Energy was initially promoted by Equis Fund (USD 2.7 bn infrastructure focused fund) as Energon. In January 2018, Equis Pte Ltd. sold 100% stake in Equis Energy to Global Infrastructure Partners (GIP) and its co-investors China Investment Corporation (CIC) and Public Sector Pension Investment Board (PSP). GIP owns 76% in Vena Energy and 24% is held by CIC and PSP combined.

Key weaknesses
Weak credit profile of the sole counterparty leading to high receivables days
VEFPPL has sole power offtake arrangement for entire capacity with MPPMCL which has relatively weak financial risk profile. In the past, VEFPPL had witnessed erratic payment track record from the offtaker which had resulted in high collection cycle. However, the offtaker has opted to clear the outstanding dues of VEFPPL in 40 equal EMIs. As articulated by the management. Till June 2024 end, VEFPPL has received 23 such instalments. Sustenance of timely receipt of these instalments from the discom will be a key credit monitorable.

Dependence on favourable climatic conditions and wind patterns
Wind projects are exposed to the inherent risk of weather fluctuations, leading to variations in the wind patterns, which affects the PLF. The wind farms enjoy higher PLF during the months of May to September, while the period from October to April witness low PLFs. The PLF for the wind power generators are inherently low and may fluctuate depending upon the climatic conditions

Interest rate fluctuation risk
The term loan for the project has floating interest rate, thereby exposing VEFPPL to the risk of any change in cost factors. The interest cost being the primary cost component on a cash-basis, any adverse movement in interest rates would impact the overall debt-servicing ability of the SPV.

Liquidity: Adequate
Liquidity position of the company has improved since last review on account of receipts from MPPMCL. The company had free cash and bank balance of ₹90 crore as on March 31, 2024. The company is also maintaining the stipulated DSRA equivalent to two quarter of debt servicing and one quarter additional reserve. In addition, VEFPPL also has fund based working capital facility of Rs.50 crore which stood completely unutilized as on March 31, 2024.

As per CARE Ratings' base case, adjusted GCA (comprises of NCD interest) for FY25 & FY26 is expected to be Rs. 47 crore and Rs. 49 crore respectively against debt servicing obligations of Rs.80 crore and Rs. 79 crore in FY25 and FY26 respectively.

Applicable criteria

[Definition of Default]
[Financial Ratios – Non financial Sector]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Infrastructure Sector Ratings]
[Wind Power Projects]

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

VEFPPL is a special purpose vehicle (SPV) incorporated by Vena Energy Wind (India) Renewables Pte Ltd (formerly known as Energon Renewables Pte Ltd), which is in turn, held by Vena Energy (India) Infrastructure Pte Ltd. VEFPPL has set up a 108 MW wind power project at Fatanpur village in the Dewas district of Maharashtra at a total project cost of ₹864 crore. The project achieved COD in March 2016, and thus, is operational for more than eight years. The company has entered into a 25-year PPA with MPPMCL at a tariff rate of ₹5.92 per unit.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	129.64	125.39	122.32
PBILDT	103.97	76.81	104.55
PAT	-8.09	-55.69	-3.57
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	1.12	0.79	1.09

A: Audited; Prov.: Provisional; NM: Not meaningful; Note: 'the above results are latest financial results available' || *Financials reclassified as per CARE ratings' internal standards

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2037	528.64	CARE A-; 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	528.64	CARE A-; Stable	-	1)CARE A-; Stable (14-Jun-23)	1)CARE A-; Stable (10-May-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short 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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