Vena Energy Power Resources Private Limited

July 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	651.58 (Reduced from 714.95)	CARE BBB; 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 Power Resources Private Limited (VEPRPL) derives strength from the presence of a 25-year power purchase agreement (PPA) with Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) and with Zuari Cements Limited (ZCL) for a period of 10 years thereby providing long-term revenue visibility. As per the management, the PPA with ZCL, which is expiring in August 2024, is likely to be further extended for a period of 15 years at reasonable tariff. The rating favourably factors in the operational track record of more than nine years of the project. The elongated tenor of the refinanced loan with fair tail period, maintenance of two quarters of debt servicing reserve account (DSRA) and additional reserves covers the moderate projected debt service coverage ratio to some extent. The rating draws comfort from the parentage and its management competence in the renewable energy sector.

These rating strengths are partially offset on account of the relatively weak credit profile of APSPDCL leading to elongated receivable cycle, although it has significantly improved since last review. The rating is also constrained by moderate generation in the past caused by lower wind speed in the region and low grid availability thus impacting cash accrual, VEPRPL's cash flows susceptible to climatic risk and interest rate fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Continued maintenance of generation beyond P-90 level, leading to improvement in debt coverage indicators.
- Significant improvement in the credit profile of the off-taker while maintaining satisfactory collection efficiency.

Negative factors

- Decline in generation or significant increase in the borrowing cost or increase in O&M expenses leading to adverse impact on debt coverage indicators.
- Stretch in receivables, leading to higher leverage and weakening of liquidity profile.
- Significant delay in contracting PPA in line with base case assumption.
- Any adverse change in regulatory environment concerning C&I space.

Analytical approach: Standalone

Outlook: Stable

The stable outlook on the ratings of VEPRPL reflects CARE Ratings Limited's (CARE Ratings') opinion that the company would benefit from its long-term PPA with APSPDCL. Also, the expectations of satisfactory generation and collection performance support the outlook.

Detailed description of the key rating drivers

Key strengths

Limited off-take risk by virtue of its PPAs

Vast majority (i.e., 96%) of installed capacity of VEPRPL is tied up through a 25-year PPA with APSPDCL at a tariff of ₹4.70 per unit, thus providing long-term revenue visibility.

VEPRPL has also tied up remaining capacity with Zuari Cements Limited (ZCL) for a period of 10 years. The tariff is varying according to the time slot of supply. The PPA is set to expire in August 2024. As cited by the management, VEPRPL has agreed to renew the PPA with Zuari Cement Limited for 15 years which is in final stages of discussion.

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

Long operational track record
The entire capacity of 154 MW was commissioned largely in two phases – during August 2014 and March 2015. Thus, the project has an operational track record of more than 9 years.

Favourable terms of sanction of the refinanced loan
The refinanced loan carries much lower interest as compared to that of the old loan. There is a tail period of 4.5 years. The reduction in leverage through closure of old working capital limit is a credit positive. While average debt service coverage ratio (DSCR) is projected below 1.2x, the maintenance of DSRA equivalent to two quarters of repayment obligation and additional reserve of two quarters provides comfort.

Experienced promoters, part of the Vena Energy group with proven track record in implementation and running of projects in renewable energy sector
VEPRPL is part of the Vena Energy group. The group is one of the largest renewable energy producers with over 180 solar and wind 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 eight countries - Australia, India, Indonesia, Japan, Taiwan, Thailand, Korea and Philippines. Vena Energy India has a portfolio of wind and solar energy generation assets of 876 MW which includes 165 MW of capacity under construction. Global Infrastructure Partners (GIP) owns 76% in Vena Energy and 24% is held by China Investment Corporation (CIC) and Public Sector Pension Investment Board (PSP) combined.

Key weaknesses
Moderate operational performance in the past, however improvement in generation in FY24 vis-à-vis FY23
Historically, the generation has been much lower than P-90 estimates. Lower wind speeds in the region had played vital role. Moreover, grid curtailment, especially during FY20-FY22 period, led to subdued generation. However, the generation levels of VEPRPL during FY24 improved to plant load factor (PLF) of 23.81% vis-à-vis 21.12% in FY23 though remained below P-90 levels due to lower wind speeds.

Significant counterparty credit risk, respite through resolution of PPA tariff issue and subsequent realisation of receivables
VEPRPL's counterparty credit risk is characterised by concentrated exposure to APSPDCL which has weak credit profile. Moreover, the long pending issue of re-negotiation of the PPA tariff led to significant stretch in receivables. The favourable order dated March 15, 2022, from the Hon'ble High Court of Andhra Pradesh along with the implementation of Electricity (Late Payment Surcharge & related matters) Rules, 2022 aided the company to significantly reduce its receivables – from ₹327 crore as on March 31, 2022 to ₹174 crore as on March 31, 2023 and ₹30 crore as on March 31, 2024. The sustenance of timely collection from the off-takers will be a key monitorable going forward.

Exposure to regulatory and interest rate risk
The company has PPA under the open-access model that is exposed to the regulatory risks on account of changes in open-access charges. The risk is mitigated to some extent by the pass-through of such charges and losses to ZCL in the PPA. However, in case of any upward revision in these charges and losses or adverse change in regulations, the landed cost of power for the C&I customer could increase, impacting the tariff cost competitiveness.
Given the leveraged capital structure and single-part nature of the fixed tariff in the PPA, profitability remains exposed to any increase in the interest rates, given the floating interest rates for the term loan availed by the entity.

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 plant load factor (PLF).

Liquidity: Adequate
The projected gross cash accrual for FY25 and FY26 will sufficiently cover the scheduled debt repayments. As of May 31, 2024, VEPRPL had cash balance of Rs. 71 crore and FD of Rs. 108 crore which has been earmarked for the DSRA equivalent to two quarters of debt servicing and two quarters of additional reserve.
While the company does not have working capital limit, regular payment from its offtakers (especially the significant improvement in payment track from APSPDCL) is likely to aid the liquidity profile.

Applicable criteria

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

VEPRPL, incorporated on March 27, 2013, as Energon Power Resources Private Limited, is a subsidiary of Vena Energy Wind (India) Renewables Pte Ltd, Singapore. The company has set up a 154-MW wind power project at Tagguparti, Anantapur district, Andhra Pradesh. The project was commissioned in two phases: TGP-I (54 MW) was commissioned in August 2014, and TGP-II (100 MW) was commissioned in March 2015.

Brief Financials (₹ crore)	March 31, 2023 (Aud)	March 31, 2024 (Prov)
Total operating income	148.06	166.67
PBILDT	54.85	106.02
PAT	-91.34	-35.05
Overall gearing (times)	-5.13	-3.66
Interest coverage (times)	0.53	0.97

Aud: Audited; Prov: Provisional; Note: 'the above results are latest financial results available'. *Financials reclassified 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	NA	651.58	CARE BBB; 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	651.58	CARE BBB; Stable	-	1)CARE BBB; Stable (14-Jul-23)	-	-

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

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities - NA

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:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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