Vena Energy MH Wind Power Private Limited

November 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	58.95 (Reduced from 72.45)	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation factors in presence of power purchase agreement (PPA) for entire capacity of 30 MW wind power project with Maharashtra State Electricity Distribution Company Limited (MSEDCL) for 13 years from commercial operations date (COD) at a fixed tariff leading to revenue visibility. The rating is supported by the company's healthy liquidity profile considering timely payment from MSEDCL in the last 3-4 years. The project's long operational track record and improvement in generation of the plant in FY24 against FY23 adds strength to the rating. Furthermore, the company's low external debt against its installed capacity, the maintenance of a debt service reserve account (DSRA) are credit positives. The rating also derives comfort from the long-standing track record of the promoters in the renewable energy sector.

However, these rating strengths are partially offset by the lower-than-envisaged generation, especially in the last few years. The rating is also sensitive to the counterparty credit risk emanating from a single off-taker with a track record of elongated receivable levels in the past although payments in the last 3-4 years have been timely. The rating is constrained by the inherent exposure to variations in wind density and speed at the project location which may impact revenue as the tariff is single and linked to actual generation. The company is exposed to interest rate risk owing to floating interest rate and fixed tariff.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Satisfactory generation aligned with the past trends leading to improved coverage metrics.
- Faster than expected deleveraging of the asset.

Negative factors

- Any deterioration in receivables on sustained basis leading to a deterioration in the company's liquidity profile.
- Decline in the generation to capacity utilisation factor (CUF) below 18% on a sustained basis.

Analytical approach: Standalone plus factoring in presence of Vena Group which is backed by Global Infrastructure Partners (GIP).

Outlook: Stable

The 'stable' outlook factors in the presence of long term PPA, expected generation aligned with past trends and timely payment from MSEDCL.

Detailed description of key rating drivers

Key strengths

Moderate revenue visibility owing to presence of PPA with MSEDCL

The company entered a PPA in phases with MSEDCL for 13 years from the COD for a fixed price of ₹5.70 per kilowatt per hour (kWh) for entire wind power project of 30 MW. The project life of wind power project is typically 25 years and the company can enter PPA with discom or third party or sell power through merchant route post expiry of PPA with MSEDCL in March 2028. However, the company is exposed to tariff risk as the tariff for wind power projects in competitive bidding has declined to ₹2.7-3.0 per unit which is lower than current PPA tariff. Further, the project is entitled to generation-based incentive at the rate of ₹0.5/kWh subject to ₹1 crore per MW i.e. ₹30 crore for the project.

Satisfactory collection track record in recent past leading to healthy liquidity

While the company is exposed to counter party credit risk as evident from delay in payments from MSEDCL in the past, the company's collection efficiency was high at 191% in FY2023 and 112% in FY24. Per the management, the company has been getting payment from the off-taker regularly with last payment received till July 2024. This has improved the company's liquidity

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

profile as evident from free cash and bank balance of ₹28.9 crore apart from DSRA of ₹12.45 crore (two quarters of debt servicing) and other reserve of ₹4.90 crore.

Long operational track record although generation lower than P90 PLF in recent past
The project was commissioned in March 2015 and has registered satisfactory levels of machine availability and grid availability over the period. While the generation has been below the P-90 level in the past due to lower wind speed, this improved in FY24 on year-over-year (y-o-y) basis with PLF of 19.27% against 18.19% in FY23.

Experienced promoters, part of the Vena group with proven track record in the renewable energy (RE) sector
VEMH is part of the Vena Energy group. The group has a significant presence in the Asia-Pacific region, with over 7.2GW of combined wind and solar projects in operation, under-construction and contracted. The group also has a development pipeline of over 38 GW in 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 952 MWp operational capacity and 330 MWp under-construction capacity. Vena Energy is jointly owned by Global Infrastructure Partners (GIP), China Investment Corporation (CIC) and Public Sector Pension Investment Board (PSP).

Key weaknesses
Less competitive tariff with erratic payment by counterparty in the past
MSEDCL's credit profile is below average due to sizeable regulatory assets and high average cost of supply (ACS)-average realisable revenue (ARR) gap. It has also been observed in the past that MSEDCL has delayed payments to wind power projects (like VEMH) where the tariff has been less competitive. However, it may be noted that payments from MSEDCL has been timely in the last 3-4 years. The timely payments from MSEDCL on a sustained basis shall be a key rating monitorable.

Dependence on favourable climatic conditions and wind patterns
Wind projects are exposed to the inherent risk of weather fluctuations, leading to variations in wind patterns, which affects the plant load factor (PLF). Wind farms enjoy higher PLF between the months of May and September while October to April witnesses low PLFs. The revenue is linked to actual generation owing to single part tariff per PPA and decline in generation may impact the project's debt coverage indicators.

Favourable terms of the refinanced loan although high repayment in last two quarters requires maintenance of cash balances
The current term loan stipulates the maintenance of DSRA (equivalent to two quarters of debt servicing) and cash reserve which has been maintained as on date. Presence of mandatory cash sweep above a threshold debt service coverage ratio (DSCR) adds comfort. CARE Ratings notes majority equity in the project was infused in form of NCD and ECB which are subordinate to term debt and interest on such loans shall be paid after meeting RPC conditions. The repayment in the last two quarters is higher and cash flow from operations shall be insufficient for debt servicing. Hence, maintenance of adequate reserves for debt servicing shall be a key rating monitorable.

Liquidity: Adequate
The company has cash and bank balance of ₹28.90 crore and DSRA covering two quarter of debt obligation of ₹12.45 crore in the form of fixed deposits as on November 08, 2024. The company also has other reserves of ₹4.90 crore. The projected gross cash accruals against debt repayment obligation for FY25 and FY26 is expected to have adequate headroom.

Applicable criteria
Definition of Default
Factoring Linkages Parent Sub JV Group
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

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

VEMH is a SPV incorporated by Vena Energy Wind (India) Renewables Private Limited (formerly known as Energon Renewables Private Limited), which is in turn, held by Vena Energy (India) Holdings Private Limited (Vena Energy India). VEMH has set up a 30-MW wind power project at Jath, Sangli district, Maharashtra. The company achieved its COD on March 27, 2015, and has been operational for over nine years. The total project cost was ₹223.62 crore. The company has entered PPA for its entire capacity with MSEDCL for 13 years from COD at a tariff of ₹5.7/kWh.

Brief Financials (₹ crore)*	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	29.66	31.31
PBILDT	17.50	23.65
PAT	-24.65	-19.66
Overall gearing (times)***	-1.89	-1.56
Interest coverage (times)**	0.48	0.67

A: Audited UA: Unaudited; Note: these are latest available financial results || *Financials reclassified per CARE ratings' internal standards || **includes interest on promoter's loan || ***includes promoter's loan in debt

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instruments/facilities: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2027	58.95	CARE BBB+; Stable

Annexure-2: Rating history for 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	58.95	CARE BBB+; Stable	-	1)CARE BBB+; Stable (20-Sep-23)	1)CARE BBB; Positive (10-Oct-22)	1)CARE BBB; Negative (28-Oct-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (10-Oct-22)	1)CARE BBB; Negative (28-Oct-21)

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

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

Annexure-4: Complexity level of instruments rated

Sr. No.		Complexity Level
1	Fund Based-LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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