

Clean Wind Power (Ratlam) Private Limited

December 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE AA-; Stable	Upgraded from CARE A+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has adopted a combined approach for the eight underlying entities of the Hero Future Energies Group. The presence of an inter-company agreement between the entities - Clean Solar Power (Gulbarga) [CSPG], Clean Wind Power (Ratlam) Private Limited [CWPR], Bhilwara Green Energy Limited [BGE], Rajkot (Gujrat) Solar Energy Private Limited [RGSE], Clean Wind Power (Satara) Private Limited [CWPS], Clean Solar Power (Dhar) Private Limited [CSPD], Clean Wind Power (Piploda) Private Limited [CWPP] and Clean Wind Power (Bableshtar) Private Limited [CWPB], herein referred to as Hero Future Energies Restricted Group-1 (HFE RG-1), mandates these entities to be jointly and severally responsible for servicing the debt obligations. All the entities have the benefit of pooling of surplus cash flows from the individual entities to service shortfall in debt servicing, in any of these entities. The arrangement is irrevocable, unconditional, valid for full tenure of rated debt facilities and is characterised by the cross-default clause between the eight entities. CARE Ratings also notes that there is a single lender for the working capital facilities across the entities in the pool.

The upgrade in the rating assigned to the bank facilities of the combined entity, factors in the satisfactory operational performance as reflected by stable generation profile of the assets, improvement in the collection and liquidity profile and reduction in the outstanding debt on account of exercising of the cash sweep option as per the financing terms.

The generation performance of the pool has remained satisfactory as reflected by a PLF of 21.2% for FY24 as against 20.6% in FY23. There has been a considerable traction in receivables position over the years, with overall collection days reducing from ~205 days (debtors of Rs. 266 crore) as on FY21 end to ~104 days (debtors of 141 crore) as on FY24 end. CARE Ratings understands that the overdue debtors as on September 2024 end were ~Rs. 52 crore as against Rs. 95 crore as on September 2023 end. Owing to the healthy generation profile and collection of the past dues, the liquidity position of the pool has improved as reflected by cash balance of Rs. 227 crore and Rs. 264 crore as on March 2024 and September 2024 end respectively visavis Rs. 135 crore as on FY23 end. This RG is a static pool, and no upstreaming is allowed and the surplus generated has been utilised for retiring debt to a certain extent. Since the issuance of the bond till September 2022, there has been a cash sweep of ~Rs. 394 crore, thereby resulting in faster than expected deleveraging of the pool.

The rating continues to factor in the revenue visibility on account of presence of power purchase agreements (PPAs) for the full 504.5 MW capacity along with the long operational track record of the portfolio of over seven years. The offtake risk is moderate on account of central counterparty (SECI) accounting for 46% of the offtake in capacity terms. The rating is further supported by the presence of a diversified asset pool in terms of technology (wind and solar), offtakers and location.

Nevertheless, the rating strengths are tempered by leveraged capital structure as reflected by Total Debt (Inclusive of OCDs infused by the promoter)/ EBITDA of 6x as on March 2024 end. The pool is also exposed to refinancing risk as ~70% of the issue value will be due for refinancing in March 2027. However, the same is mitigated as the coverage indicators as reflected by Project Life Coverage Ratio (PLCR) at the time of refinancing is expected to be above 1.4x. The RG continues to remain exposed to counterparty credit risks as state discoms, as offtakers account for 54% of the installed capacity. Moreover, 81.5 MW capacity in the structure is exposed to tariff related risks as their present PPAs are due for expiry between FY26-FY27. However, CARE Ratings in its base case assessment has factored in tariff, which is in line with the prevailing renewable energy tariffs for wind projects to ascertain the cash flow cushion of the pool and opines the same to remain satisfactory. The rating continues to be tempered by exposure of RG's performance to adverse variation in weather conditions given the single part tariff for the projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Achievement of generation in-line or better than envisaged levels for the RG on a sustained basis, thereby positively impacting the debt coverage indicators
- Faster than expected deleveraging of the RG pool

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

Negative factors

- Significant deterioration in the generation profile on a sustained basis resulting in coverage indicators (DSCR/PLCR) moderating below 1.30x
- Elongation of receivables beyond 150 days on a sustained basis
- Inability to arrange PPAs beyond the existing tenor for 81.5 MW MSEDCL assets at the tariffs envisaged as per CARE Ratings base case

Analytical approach: Combined

CARE Ratings has applied a combined approach for rating the bank facilities of CSPG, CWPR, BGE, RGSE, CWPS, CSPD, CWPP and CWPB, hereafter referred to as HFE RG-1 owing to the presence of co-borrower arrangement between the entities wherein these entities would be jointly servicing the combined debt obligations. Moreover, all the given entities have the benefit of free fungibility of cashflows among each other which aids in servicing any shortfall in debt servicing (if any), in any of these entities.

In a 'Combined Approach', CARE Ratings evaluates the group of entities as if it were a single entity and combines the financials and business risk profiles of these entities to take a view on the ratings. All the eight entities are subsidiaries of HFE and are engaged in similar lines of business.

Outlook: Stable

CARE Ratings believes that the combined entity would continue to benefit on account of medium to long term PPAs for the entire capacity. The operational performance of the assets is likely to remain in line with the existing trend which supports the outlook.

Detailed description of the key rating drivers:

Key strengths

Presence of a co-borrower arrangement for assets under the RG

The eight SPVs (CWPB, CWPR, BGE, RGSE, CWPS, CSPD, CWPP and CWPB) of HFE group have jointly formed an RG wherein these entities would be jointly and severally servicing the combined debt obligations. The shortfall in meeting the debt obligations by one entity shall be met through surplus cash flows from the other entities in the structure. CARE also factors in the presence of a structured waterfall mechanism as per the TRA documents. The first priority of the cash flows would be to meet payments of taxes and statutory dues followed by operating costs. Thereafter servicing of bond repayments and interest on bonds and working capital limits shall be done on a pro-rata basis. The surplus thus remaining shall be utilised towards mandatory cash sweep (MCS) as per the defined structure in the bond documents and the balance amount shall be transferred to the surplus account. CARE Ratings also notes that, no restricted payments (except those allowed under the bond trust deed) post making MCS are permitted from the surplus account, thus making it a static pool. As per CARE Ratings, the cash accumulated in the surplus account at the end of the bond tenure is expected to be utilised to reduce the refinancing quantum.

Realization of past dues resulting in improved liquidity position of the RG

The receivable cycle of the RG has improved further with overdue debtors reducing from ~Rs. 95 crore as on September 2023 end to ~Rs 52 crore as on September 2024 end. The overall collection days have reduced to half with ~205 days in FY21 to ~104 days in FY24. The RG has been able to liquidate a significant portion of its past overdues from state discoms as most of the state counterparties have opted for the EMI scheme introduced by Ministry of Power (MoP) to clear their past dues and making current payments within 75 days of invoicing.

The liquidity profile is also satisfactory as reflected by presence of ~Rs. 264 crore cash balance as of October 2024 and full availability of working capital limits of Rs. 89 crore.

Exercise of MCS

The given RG is generating adequate surplus cash which is being utilised for the mandatory cash sweep. Apart from the regular annual amortisation, ~Rs. 394 crores have been under the MCS mechanism till September 2024 resulting in faster than expected deleveraging of debt. Going forward, CARE Ratings' expects another ~Rs. 340 crores to be swept away before the end of March 2027 as per the MCS clause.

Weighted average operational track record of more than 8 years for the portfolio

The operational track record of the assets under the RG pool ranges from ~6 to 12 years as these assets have been commissioned in a phased manner. On a weighted average basis, the operating track record of the portfolio is approximately ~8.4 years. The overall generation performance of the assets under RG has remained below P-90 so far. However, generation levels in FY24

witnessed a marginal uptick from FY23 as reflected by Plant Load Factor (PLF) of 21.2% and 20.6% respectively as against the P90 of 21.6%. Going forward, CARE Ratings expects the generation from the underlying assets to remain broadly in line with past trends.

Long term revenue visibility on account of presence of PPAs for the entire capacity and diversified offtaker pool

The entire 504.5 MW capacity is tied up under medium to long term power purchase agreements (PPAs) with central counterparties and state utilities which provides revenue visibility for the structure. The weighted average tariff for the overall portfolio is Rs. 5.07 per unit. All PPAs have tenure of 25 years and defined tariffs except for 81.5 MW of capacity tied up with MSEDCL which have PPAs expiring between FY25 and FY27. The ability of the company to extend these PPAs at a competitive tariff would be a key monitorable. CARE Ratings notes that the RG structure has diversified offtaker pool wherein ~46% of the capacity is tied up with strong offtaker viz, central counterparties i.e., Solar Energy Corporation of India (SECI).

Diversified asset pool in terms of technology and geography

The 504.5 MW capacity under RG structure is spread across eight SPVs of HFE with 54% solar capacity and 46% wind capacity. The structure benefits on account of geographical diversification as the installed capacity is spread in three states viz. Karnataka (50%), Madhya Pradesh (34%) and Maharashtra (16%) mitigating the risks emanating from adverse climatic condition at a single site.

Strong parentage by virtue of being part of HFE Group translating into strong financial flexibility for the RG entities

The immediate parent for the solar SPVs is Hero Solar Energy Private Limited (HSE) and for the wind SPVs is Hero Wind Energy Private Limited (HWE). Both HSE and HWE are 100% subsidiaries of HFE which is backed by the Munjal family through BM Munjal Energies Private Limited (~ 68%), IFC (~32%). The Munjal family has presence in various industries viz. automobile, financial services, energy education etc. IFC is an arm of the World Bank.

The group has successfully commissioned more than 1500 MW renewable energy capacity as on date. During September 2022, Kohlberg Kravis Roberts (KKR) Group announced to commit USD 450 million (~Rs 3600 crores) through quasi-equity instruments in HFEPL.

Key weaknesses

Moderate financial risk profile of off-takers in portfolio along with tariff related risks for 81.5 MW capacity under the structure

The underlying assets in the RG structure have exposure to both central counterparties which have a strong credit profile and state distribution utilities which have a modest credit profile. Currently, the receivable position on a consolidated level stands at ~100 days. Nonetheless, MPPMCL has opted for EMI scheme to clear its past overdues in 40 EMIs and HESCOM has opted to clear its overdues in 48 EMIs. Further the current dues are expected to be received within 90 days.

Leveraged capital structure for the RG along with exposure to refinancing risk

The RG's capital structure is leveraged as reflected by Total Debt (Inclusive of OCDs infused by the promoter)/ EBITDA of 6x as on March 2024 end. Moreover, the structure is exposed to refinancing risk on account of the medium-term tenor and partial amortizing structure for the ECB bonds. The regular repayments comprise only 2.75% of the issued amount whereas the MCS component comprises 27%, thereby resulting in a likely refinancing of 70.25% of the issued amount at the end of the bond tenure in FY27.

The refinancing risk is however, mitigated as the coverage indicators are expected to remain healthy as reflected by PLCR remaining above 1.4x at the beginning of FY28 (refinancing point) which would aid in alleviating the refinancing related risks. CARE Ratings also takes cognisance of the fact that the RG structure is static in nature and no restricted payments (except those allowed under the bond trust deed) are allowed from the surplus account. Hence the same can be utilised to reduce the refinancing amount at the end of the bond tenure.

Vulnerability of cash flows to variation in weather conditions

As tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to variation in weather conditions and/or equipment quality. This in turn would affect its cash flows and debt servicing ability. Therefore liquidity buffers in the form of DSRA, cash pooling aid in alleviating this risk to a certain extent.

Liquidity: Adequate

The RG has an adequate liquidity as reflected by cumulative cash balance of ~Rs. 264 crore as of October, 2024. Moreover, the RG has working capital limits of Rs 89 crore which can be used to bridge any cashflow mismatch. CARE expects the generation and collection performance to remain satisfactory. The internal accruals from the structure are expected to be adequate to service its debt obligations.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

[Solar Power Projects](#)

[Wind Power Projects](#)

About the company and industry

Industry classification

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

CWPR was incorporated on July 24, 2013, as a 100% subsidiary of HWE, which in turn is a wholly-owned subsidiary of HFEPL. The SPV was incorporated for developing and operating 100 MW wind in the states of Madhya Pradesh, India. The company has signed power purchase agreements with MPPMCL for a period of 25 years, at the tariff of Rs. 5.92 per unit. The plant has been operational for around 9 years.

Brief Financials – CWPR (Standalone)

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	135.2	113.3	122.1
PBILDT	108.6	85.6	95.9
PAT	18.8	-3.3	6.3
Overall gearing (times)	9.6	9.1	7.3
Interest coverage (times)	1.6	1.2	1.8

A: Audited; Note: 'the above results are latest financial results available'

Brief Financials – Combined entity

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	492.4	477.0	496.3
PBILDT	386.0	378.1	404.2
PAT	-23.4	50.6	41.3
Overall gearing (times)	7.6	5.2	4.6
Interest coverage (times)	1.5	1.4	1.7

A: Audited; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE AA-; 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-Cash Credit	LT	30.00	CARE AA-; Stable	-	1)CARE A+; Stable (07-Dec-23)	1)CARE A+; Stable (04-Jan-23)	1)CARE A+ (CE); Stable (14-Jan-22)
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	1)Withdrawn (04-Jan-23)	1)CARE BBB+ (14-Jan-22)

*Long 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-Cash Credit	Simple

Annexure-5: Lender detailsTo 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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