Ivy Ecoenergy India Private Limited

March 19, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating [1]	Rating Action
Long Term Bank Facilities	533.52	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
Total Bank Facilities	**533.52 (Rs. Five Hundred Thirty-Three Crore and Fifty-Two Lakhs Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Ivy Ecoenergy India Private Limited (IEPL) is on account of relatively improved liquidity position of the company with recovery of long pending dues of FY19 which had created liquidity buffer in the interim period. The ratings are, however, constrained by lower power generation with operations of units at below P-90 during FY20 & current fiscal (except for Maharashtra location), significant delays in receipt of bills from DISCOMs for the fiscal FY20-21 with close to 11 months receivable pending receipt, geographic concentration & exposure to counter-party credit risk, exposure to variations in wind conditions, moderately leveraged capital structure with weak debt coverage metrics and non-creation of Debt Service Reserve Account (DSRA) which could have provided cushion to cashflows during uncertain times. The ratings, nevertheless, draw strength from expertise of the Leap Green group in renewable energy space, operation & maintenance (O&M) agreement for wind turbines and presence of a firm off-take arrangement through Power Purchase Agreements (PPA) with multiple State Distribution Utilities.

The key rating sensitivities are as follows-

Positive Factors

- Timely realization of payments from power off-takers on a sustained basis with receivables improving to a level of 6 months.
- Improvement in PLF levels equivalent to or greater than P-90 levels (~18%)
- Creation of DSRA and/or other liquid reserves

Negative Factors

- Prolonged delay in receipt of payment from State DISCOMs for a period equal to 10 -12 months.
- Operation of the plants at a sub-optimum PLF on a consistent basis

Detailed description of the key rating drivers:

Key Rating Weakness:

Delayed receipt of payments from off-takers resulting in stretched liquidity profile: The company has off-take agreements with Jodhpur Vidyut Vyapar Nigam Limited (JoVVNL), M.P. Power Management Co. Ltd. (MPPMCL) and Maharashtra State Electricity Distribution Company Limited (MSEDCL). The liquidity position improved with recovery of dues stuck in FY18-19. However, due to the onset of Covid-19 and resultant cash flow crunches with the state DISCOMs, the company has not been receiving its payments on time from all three DISCOMs with dues pending for more than 10 months. The company received a total of Rs.109.13 crore for FY20 during August 2019 to December 2020 from all three DISCOMs and another Rs.11.06 crore has been received in Feb 2021. Hence, total receivables amounting to Rs.109.88 crore (primarily FY21 bills) is pending receipt.

Revenue concentration with counterparty credit risk: IEPL operates wind turbines of aggregate capacity of 164 MW capacity, out of which 112 MW is located in Rajasthan followed by 26 MW in Maharashtra and 26 MW in Madhya Pradesh (MP). The same hence, leads to geographic concentration of revenue (68.29%) in the State of Rajasthan and correspondingly, the company faces risk associated with changes in regulation

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

in the said State and/or other political changes. This apart, within the State, the company has entire exposure to a single counter party i.e. JOVVNL which also subjects the cashflow to risk associated with delayed payments to IEPL. Apart from JOVVNL, the other counterparties MPPMCL and MSEDCL also have relatively moderate credit profile.

Subdued operational performance: The assets have been reporting relatively subdued operational performance during FY20 and 9MFY21 with PLF reported at below P-90 level as per the wind energy assessment report. The company reported improved PLF at Rajasthan in FY20 (16.54%) vis-à-vis FY19 (15.08%), however, PLF for Maharashtra and Madhya Pradesh for FY20 (19.23% and 16.42% respectively) was lower than FY19 (20.53% and 17.88% respectively) due to fluctuations in the velocity of wind and occurrence of cyclone 'Vayu' and 'Hikka' during the year. Further, the PLF levels reported were low due to low wind density.

Moderately leveraged albeit improved capital structure: The capital structure of the company has improved although, remains moderate marked by overall gearing of 1.65x as on March 31, 2020 (1.81x as on March 31, 2019), mainly due to erosion owing to accumulation of losses. However, inter-corporate deposit of Rs.27.14 crore has been received from holding company which is proposed to be repaid post senior debt servicing. On excluding the same as debt, overall gearing ratio would improve to 1.43x as on Mar.31, 2020. The debt coverage metrics have been stretched given the subdued operational performance and high debt servicing obligation.

Exposure to variation in wind conditions: Wind power in India is highly seasonal, with the majority of generation taking place during the summer and monsoon season. The company's wind power operations are highly dependent on availability of strong winds. A significant proportion of wind energy generation (65-70%) takes place between April & October. During the off-season stretching from November to March, wind generation dips significantly contributing the 30-35% of the wind generation. The same has led to subdued operational performance with PLF reported below P-90 (17%-19%). level due to adverse wind conditions.

Key Rating Strengths:

Improvement in cashflow position since FY19: The company was facing delayed payments from Discoms during the period FY19-20 which had improved significantly with reduction in receivables from 11 months to about 5 months thereby improving the cashflow position and regularization of debt servicing from September 2019 onwards. With the cash buffer created, availability of drawing power for sanctioned working capital limits and moratorium availed for the period March 2020 to August 2020 as a part of covid relief, the company was able to manage its operations and debt servicing satisfactorily.

Expertise of the Leap Green group in renewable energy business: Leap Green Energy Pvt Ltd (LGEPL, holding company of IEPL) was incorporated in October, 2006, and has over a decade of expertise and track record in the wind power business. The company has been promoted by Asian Infrastructure & Related Resources Opportunities (AIRRO) Mauritius Holdings II, an Asia focused infrastructure fund floated by JP Morgan Asset Management and the promoters. AIRRO Mauritius Holdings II holds 84% stake in LGEPL with the remaining being held by the promoters. LGEPL together with its 15 subsidiaries, owns and operates aggregate capacity of 751 MW of wind power plants spread across Tamil Nadu, Rajasthan, Maharashtra and Madhya Pradesh, acquired over the years. The overall group entities have moderate financial & liquidity profile with a large exposure to State DISCOMS with weak credit profile. However, availability of liquidity at holding entity level provides some comfort to manage the shortfall at SPV level.

The day to day activities of all the SPV's are managed by Mr. Rajeev Karthikeyan, Managing Director of the Leap Green group and Mr. Vijayan Dev Anand (Whole time director). They are assisted by team of skilled and experienced senior level executives.

Long-term revenue visibility with presence of Power Purchase Agreements (PPA): IEPL has entered into long-term PPAs with multiple state DISCOMs (Rajasthan, Madhya Pradesh & Maharashtra) for its plants aggregating 164 MW. The PPAs are valid for tenure of ~20-25 years and provide revenue visibility over the long-term thereby, ensuring low off-take risk for the company. However, WTG of capacity 12 MW in Rajasthan expired in March 2019 and the same is pending with the High Court of Rajasthan. The company expects to receive a verdict and renewal of the PPA by March end 2021.

Presence of Operation and Maintenance (O&M) agreement: IEPL has entered into an O&M Agreement with Inox Wind Infrastructure Services Limited, Suzlon Global Services Limited, Powercon Ventures India P. Ltd and Renom Energy Services LLP which were in-effect from the date of commissioning of WTG. The contractor will provide both preventive and breakdown maintenance of the WTGs and related equipment including replacement of parts and components as required in case of breakdown/failures and to ensure the smooth operation of the wind power project. However, given the weak credit profile of the O/M contractors, risk associated with timely maintenance support persists.

Liquidity Profile – Stretched:

The company has a stretched liquidity profile; with delayed receipt of payments from all three DISCOMs. The present dues from all off-takers are for a period of 11 months for FY21 (except MSEDCL where payment is pending for 12m). The company has back up of working capital lines which is almost fully utilized as on December 31, 2020. The company has cash and bank balance were Rs.18.59 crore as on March 31, 2020 (Rs.14.13 crore as on September 30, 2020). It has availed moratorium for the period March'20 to August'20; as a part of covid-19 relief provided by RBI.

Analytical approach: Standalone

Applicable criteria:

Criteria on assigning outlook and credit watch
CARE's Policy on Default Recognition
Liquidity Analysis of Non-financial Sector Entities
Financial ratios – Non-Financial Sector
Rating Methodology – Wind Power Projects

About the company:

Ivy Ecoenergy India Private Limited (IEPL), a wholly owned subsidiary of Leap Green Energy Private Limited (LGEPL), incorporated on February 05, 2014, as a special purpose vehicle (SPV) for the purpose of acquiring & operating wind power project at the three locations in India (from INOX Renewable Ltd), with an aggregate capacity of 164 MW. IEPL successfully acquired the assets in FY18 and the transaction was completed at a total cost of Rs.789.46 crore of which 68.38% has been funded though term debt from banks and balance 31.62% in the form of equity/unsecured loans contribution by the promoter company, LGEPL. The wind assets are spread across Rajasthan (112 MW at Dangri, Ossiya and Sadiya districts), Madhya Pradesh (26 MW in Shajapur & Mandsaur districts) and Maharashtra (26 MW in Bhendewade and South Budh districts).

Covenants of rated instrument/facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3.*

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	133.87	133.36
PBILDT	102.77	97.88
PAT	(22.42)	4.91
Overall gearing (times)*	1.81	1.65
Interest coverage (times)	1.12	1.17

A: Audited, adjusting for ICD the same would be 1.76x as on March 31, 2020 (1.43x as on March 31, 2019)

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2.

Annexure-1: Details of Instruments/Facilities:

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	September 2029	477.52	CARE BB-; Stable

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	56.00	CARE BB-; Stable

Annexure-2: Rating History of last three years:

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (04-Apr-19)	1)Provisional CARE BBB-; Stable (30-Apr-18)	-
2.	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)Withdrawn (04-Apr-19)	1)Provisional CARE BBB-; Stable (30-Apr-18)	-
3.	Fund-based - LT-Term Loan	LT	477.52	CARE BB-; Stable	-	1)CARE B+; Stable (07-Feb-20)	-	-
4.	Fund-based - LT-Bank Overdraft	LT	56.00	CARE BB-; Stable	-	1)CARE B+; Stable (07-Feb-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company:

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Group Head Name: Ms. Puja Jalan
Group Head Contact no.: +040-6793 7413
Group Head Email ID: puja.jalan@careratings.com

Business Development Contact
Name: Mr. Ramesh Bob
Contact no. : +91-40-6793 7400
Email ID: ramesh.bob@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.