

## Amreli Renewable Energy Private Limited

December 30, 2020

### Rating

Facilities	Amount (Rs. Crore)	Rating <sup>[1]</sup>	Rating Action
Long Term Bank Facilities	135.00 (reduced from 144.25)	<b>CARE A-; Stable</b> <b>(Single A Minus; Outlook: Stable)</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>135.00</b> <b>(Rs. One Hundred and Thirty Five Crore Only)</b>		

Details of facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Amreli Renewable Energy Private Limited (Amreli RE) continues to derive comfort from 50% co-ownership by Electricite de France S.A. (EDF) Group of France, through its subsidiary EDF Renouvelables S.A., formerly known as EDF Energies Nouvelles (EDF EN) which has a large portfolio of renewable energy assets worldwide and balance 50% co-ownership held by Sitac Group of India which has a reasonable track record of implementing and operating renewable energy projects in India. The promoters have also extended a limited period corporate guarantee (CG) to the project on a several and pro-rata basis. The rating also continues to favourably factor in operational wind power generation for over forty two months, tie-up with a reputed global player Siemens Gamesa Renewable Energy (Siemens Gamesa) for operations and maintenance (O&M) of the project, presence of long term power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL; rated CARE AA-; Stable / CARE A1+) along with timely receipts of payments from the off-taker, long project tail period, presence of full debt service reserve account (DSRA) equivalent to two quarters of debt servicing and stable outlook for wind power generation sector.

The rating continues to be constrained by high project debt equity ratio (DER) with moderate plant load factor (PLF) levels resulting in moderate debt coverage indicators and vulnerability of power generation to wind patterns & climatic conditions inherent in wind power plants despite wind resource assessment (WRA) done by a reputed third party assessor, as it has limitation of being based on historical data.

### Rating Sensitivities

#### Positive Factors

- Improvement in PLF level on a sustained basis resulting in improvement in debt coverage indicators with average DSCR on project debt above 1.20x

#### Negative Factors

- Significant underperformance in wind power generation leading to weakening of average DSCR on project debt below 1.10x on a sustained basis
- Inordinate delays in receipt of payments from off-taker
- Availment of additional debt / any major increase in rate of interest adversely affecting the debt coverage indicators

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### **Strong promoter group with extensive experience in renewable energy segment**

Amreli RE is a 50:50 joint venture (JV) of EDF EN and Sitac Group. One of the promoters of Amreli RE, viz. EDF EN, has large operational renewable energy capacity of 13.287 GW (including under construction capacity of 8.869 GW as on June 30, 2020). The other promoter of Amreli RE viz. Sitac Group, through its subsidiary Sitac Renewable Energy Private Limited (SREPL), has presence in renewable energy sector (wind) through five operational wind power projects in India, including Amreli RE. Sitac Group has operational wind power generation capacity of 200 MW (out of which 164 MW is in JV with EDF). Rating takes comfort from Amreli RE's experienced and resourceful promoter group resulting in requisite managerial, technical and need-based financial support from the promoters for the project.

##### **Operational track record of over 42 months of wind power generation**

Amreli RE commissioned its entire project capacity in April 2017 and till October 31, 2020, the project had established an operational track record of over 42 months. Since inception, the power plant registered an average PLF of around 25%, with lower than envisaged PLF of 25.39% registered in FY19. There was improvement in PLF levels during FY20 at 26.90% before again declining to 25.26% in H1FY21 (31.65% in H1FY20) due to unfavourable wind patterns.

In order to achieve better PLF levels in line with the WRA (estimated P-90 PLF is 30.56%), in July 2019, the company, in consultation with the O&M contractor Siemens Gamesa, has installed 'iSpin' technology system on the top of one of its

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

turbines to measure the wind speed and compare it with presently measured wind speed and actual efficiency of the turbine. Post collection of reasonable data, in case of discrepancy in the data pertaining to wind speed resulting in lower efficiency of the turbine, the company is expected make improvement in the turbines with assistance from Siemens Gamesa to improve the PLF levels.

#### ***Sponsor support for the project***

As per the present sanction terms, the promoter group entities, SREPL and EDF EN India Wind (EDF India), a 100% subsidiary of EDF EN, have provided a CG on several and pro-rata basis to the bank facilities of Amreli RE, till creation of security, including DSRA and achievement of the desired DSCR level. The CG is thus extending support to the project in its initial stages of operations.

#### ***Long term PPA with GUVNL which has a strong credit risk profile along with timely receipts from the off-taker***

Amreli RE has entered into a long term PPA of 25 years with GUVNL for its entire power generation capacity at a fixed tariff of Rs.4.15/kWh which provides good revenue visibility to it. GUVNL, a wholly-owned subsidiary of Government of Gujarat (GoG) and holding company of Gujarat state power utilities, has a strong financial risk profile, which alleviates the counterparty credit risk to a certain extent despite GUVNL being the sole off-taker. This is indicated by timely receipt of payments by Amreli RE from GUVNL, usually before the due date of payment. Furthermore, Amreli RE has also registered its 24 MW power generation capacity under Ministry of New and Renewable Energy's (MNRE) Ministry of New and Renewable Energy (MNRE) Scheme. The company receives GBI, at the rate of 50 paisa per kWh under the GBI policy of MNRE which shall be received by it till first ten years of its operations. GBI has been received by the company till the month of November 2019.

#### ***O&M contract with reputed global player***

The company has entered into a fixed-price O&M contract with a reputed global player, Siemens Gamesa for a period of ten years from the commercial operations date (COD) of the project with free O&M services for a period of two years from the COD of the project. Siemens Gamesa has more than 30 years of experience in construction and operations of wind power projects with service operations in over 90 countries and over 89 GW of portfolio under service. Experience and technical efficacy of Siemens Gamesa is expected to alleviate the operational risk to a certain extent.

#### ***Stable industry outlook***

Operational wind power projects are featured with long term revenue visibility due to long term off-take arrangements at fixed tariffs, minimal O&M requirements, tariffs comparable to conventional power generation sources, must run status of wind power projects and have drawn benefit from the upward revisions in renewable purchase obligation (RPO) achievement targets. However, there are concerns like inadequate grid connectivity on account of less evacuation infrastructure, lack of stricter RPO enforcement by the state regulators, regulatory haze in terms of renegotiation of tariffs in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up and inherent risk of variation in wind patterns. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook.

#### **Key Rating Weaknesses**

##### ***Vulnerability to wind patterns & climatic conditions***

The project has registered an operational track record of over 42 months with generation at moderate PLF levels. Amreli RE's WRA was conducted by a reputed agency viz. AWS Truepower which had indicated healthy generation levels of around 30.56% at P-90 level for the project. However, WRA also has a limitation of being based on historical data. This is in light of the fact that wind power plants are inherently exposed to fluctuations in climatic conditions, which result in variations in the wind patterns and thus affect the PLF, yielding seasonal generation levels. During H1FY21, there has been a dip in PLF in most of the wind assets pan India, impacted due to change in wind patterns. The generation is expected back to normal levels going forward. However, any major sustained impact on generation levels due to change in wind patterns going forward would be a key credit monitorable.

##### ***High project DER with moderate debt coverage indicators***

Amreli RE has a high project DER around 4:1. High project DER coupled with fixed tariff and O&M expenditure and moderate PLF levels have resulted in moderate debt coverage indicators. The project has a long tail period of over 72 months which provides some comfort from credit perspective. However, given the high project DER, achievement of envisaged generation levels along with build-up of sufficient reserves from the project cash flows remains crucial, as any shortfall in the estimated generation levels on account of inherent fluctuation in wind patterns could impact the profitability and debt coverage indicators going forward.

**Liquidity: Adequate**

Liquidity of the company is adequate with creation of full DSRA of Rs.11.65 crore in the form of fixed deposits, which is equivalent to two quarters of principal and interest servicing obligations as per sanction terms, and receipt of payments from GUVNL before due date. Further, the company also has free cash / bank balance of Rs.1.39 crore as on September 30, 2020. Further, during FY21, the company is expected to generate cash accruals of Rs.7-8 crore [including accrual of interest on compulsory convertible debentures (CCDs) from promoters] as against scheduled debt repayments of around Rs.7 crore. CARE also takes cognizance of Amreli RE not having availed moratorium from the lenders as a COVID-19 relief measure [as permitted by the Reserve Bank of India (RBI)].

**Analytical Approach:** Standalone

**Applicable Criteria**

[Criteria on Assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Notching by Factoring Linkages in Ratings](#)

[Rating Methodology - Wind Power Projects](#)

[Financial Ratios - Non-Financial Sector](#)

**About the Company**

Amreli RE is a 50:50 JV of EDF Group of France, through its subsidiary EDF EN, and Sitac Group of India. It was promoted to install a 26 MW wind power generation capacity at Amreli, Gujarat. Amreli RE has entered into a long term PPA with GUVNL for off-take of entire power (26 MW) at a tariff of Rs.4.15 per unit, for a period of 25 years. Further, Amreli RE would also receive an additional 50 paise per unit under the GBI policy of MNRE for its 24 MW capacity commissioned till March 31, 2017. The project achieved commercial operations in a phase wise manner, with final project COD on April 29, 2017.

Brief Financials (Rs. Crore)	FY19 (A)	FY20 (A)
Total Operating Income	27.19	29.47
PBILDT	23.99	23.85
PAT	-2.67	-1.40
Gross Cash Accruals*	8.82	10.09
Overall Gearing (times)	4.52	4.51
Interest Coverage (times)	1.58	1.73

A: Audited

\*Considering accrual of coupon payment on CCDs

As per provisional results for H1FY21, Amreli RE has reported total income of Rs.13.83 crore with a net loss of Rs.1.48 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**Complexity level of various bank facilities / instruments rated for this company:** Annexure-3

**Annexure-1: Details of Facilities**

Name of the Bank Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2036	135.00	CARE A-; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the 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	135.00	CARE A-; Stable	-	1)CARE A-; Stable (29-Nov-19)	1)CARE A-; Stable (29-Nov-18) 2)CARE BBB+; Stable (18-Jun-18) 3)CARE BBB+; Stable (03-Apr-18)	1)CARE BBB; Stable (07-Apr-17)

**Annexure-3: Complexity level of various bank facilities rated for this company**

Sr. No.	Name of the Bank Facilities	Complexity Level
1.	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](mailto:care@careratings.com) for any clarifications.

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