

MPR Wind Farms

February 25, 2020

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------|-----------------------|---------------------|----------------------------------------------|
| Long-term Bank Facilities | 0.00 (5.04) | -- | Withdrawn |
| Long-term Bank Facilities | 0.00 (4.78) | -- | Reaffirmed at CARE BBB; Stable and withdrawn |
| Total Facilities | 0.00 | | |

Details of facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has withdrawn the rating assigned to the Bank facilities of MPR Wind Farms with immediate effect, as the firm has repaid the aforementioned term loan in full and there is no amount outstanding under the loan as on date.

CARE has also reaffirmed and withdrawn the outstanding rating of 'CARE BBB; Stable' [Triple B; Outlook: Stable] assigned to bank facilities of MPR Wind Farms with immediate effect. The above action has been taken at the request of MPR Wind Farms and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

The rating draws strength from established track record and financial strength of proprietor, long-term off-take arrangements and Operating and Maintenance (O&M) agreements for all Wind Turbine Generators (WTGs), favourable location of WTGs, satisfactory financial position of the proprietor with low debt level and stable industry growth prospects. The rating is, however, constrained by the sole proprietorship nature of business, susceptibility of operating performance and cash flows to variation in wind patterns & climatic condition, reduced income from wind farm division during FY19 (refers to period April 01 to March 31 and significant receivables from the associate concern).

Detailed description of the key rating drivers

Key Rating Strengths

Established track record and financial strength of proprietor: The proprietor, Mr. Mandava Prabhakar Rao (MPR) is the promoter of NSL group, a well-established Andhra Pradesh based group engaged in multiple business lines viz. hybrid/open pollinated seeds, cotton ginning and pressing, textiles, sugar, real estate infrastructure, power, etc. MPR has a vast experience in managing the businesses of the group for over three decades.

Favourable location and long term off-take arrangements: The WTGs of MWF are all located in areas having annual average wind power density of around 200-300 (W/m²). MWF has long term firm off-take arrangements in place for all its 3 WTGs thereby ensuring stable cash flows. MWF also has Operation & maintenance agreements in place to ensure timely maintenance of WTGs.

Satisfactory financial and liquidity position: The proprietor reported net worth of Rs.158.95 crore as on Mar.31, 2019 (vis-à-vis Rs. 160.01 crore as on Mar.31, 2018) whereas the total debt stood at Rs. 14.73 crore as on the same date which comprises loans for the power division (Rs. 9.28 crore) and other loans. Given the low debt levels, the financial profile has been robust. The proprietor also has substantial stake in the company; Nuziveedu Seeds Ltd. which has strong net worth and market value. Besides, the liquidity has also been strong with relatively high individual capital and lower debt obligation.

Stable Industry prospects with Government impetus on capacity addition: There is great thrust from Govt. for improving the share of renewable power in India's overall power mix which is reflected from various policy initiatives. There had been muted wind power generation capacity additions during FY18, FY19 & H1FY20 on the back of migration from Feed-in-Tariff (FiT) based model to reverse auction based tariff discovery model. However, looking at the already allotted capacity and govt.'s push for achieving targeted capacity of 60 GW by end FY22, capacity additions are likely to improve in next two to three years.

Key Rating Weaknesses

Pending recovery for transfer of one of the three power plant : MWF transferred two WTGs of capacity 3 MW located at Theni, Tamil Nadu, to one of the associate companies (in 2012), at a consideration of Rs. 17.88 crore which in lieu of the transfer of these WTGs is yet to be received by MWF.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Decline in total income during FY19: The total income of MPR declined from Rs.12.79 crore during FY18 to Rs.9.42 crore during FY19 primarily due to lower income from wind division and directors' remuneration. However, the income from share trading increased in FY19. Consequently, the PAT margin has declined from 8.92% in FY18 to 4.08% during FY19.

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. MWEPL's wind power operations are highly dependent on availability of strong winds. A significant proportion of wind energy generation (65-70%) takes place between May and September. During the off-season stretching from October to April, wind generation dips significantly contributing the 30%-35% of the wind generation.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Rating](#)

[CARE's default recognition policy](#)

[Rating Methodology -Infrastructure Sector Ratings](#)

[Rating Methodology-Private Power Producers](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

MPR Wind Farms (MWF) is a sole proprietorship concern of Mr. Mandava Prabhakara Rao (MPR), the promoter of Hyderabad based NSL group of companies. MWF commenced operation in 2003 with the commissioning of two Wind Turbine Generators (WTGs) of 0.75 MW each, at Panagudi Village, Tamil Nadu. Subsequently, it added three WTGs of aggregate capacity 4.25 MW in 2006 & 2011 (one WTG of 1.25 MW at Kapataguda, Karnataka and two WTGs of 1.5 MW each at Theni, Tamil Nadu). During FY13, the Theni unit (capacity 3 MW) was transferred to associate concern MKP Power P. Ltd. and hence the aggregate power generation capacity of MWF is now 2.75 MW from 3 WTGs. MWF has entered into firm off-take arrangements with respect to all three WTGs.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income | 12.79 | 9.42 |
| PBILDT | 11.54 | 5.98 |
| PAT | 8.92 | 4.08 |
| Overall gearing (times) | 0.11 | 0.09 |
| Interest coverage (times) | 5.11 | 3.88 |

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 instruments/facility: Detailed explanation of covenants of rated instruments/facilities is given in Annexure-3

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 | - | - | - | 0.00 | Withdrawn |
| Fund-based - LT-Term Loan | - | - | - | 0.00 | Withdrawn at CARE BBB; 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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Term Loan | LT | - | - | - | 1)CARE BBB; Stable (04-Feb-19) | 1)CARE BBB; Stable (13-Mar-18) | 1)CARE BBB-; Stable (27-Mar-17) |

Annexure-3: Detailed Explanation of covenants of rated instruments/facilities- Not Applicable

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

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly 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 corporate 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.

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