

Ratabhe Renewable Energy Private Limited

December 30, 2020

Rating

Facilities	Amount (Rs. Crore)	Rating ^[1]	Rating Action
Long Term Bank Facilities	132.40 (reduced from 136.50)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total Facilities	132.40 (Rs. One Hundred Thirty Two Crore and Forty Lakh Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Ratabhe Renewable Energy Private Limited (Ratabhe 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 rating also continues to favourably factor in operational wind power generation for over fifty 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

Ratabhe RE is a 50:50 joint venture (JV) of EDF EN and Sitac Group. One of the promoters of Ratabhe 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 Ratabhe 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 Ratabhe 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 Ratabhe 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 50 months of wind power generation

Ratabhe RE commissioned its entire project capacity in August 2016 and till October 31, 2020, the project had established an operational track record of over 50 months. Since inception, the power plant registered an average PLF of around 24%, with lower than envisaged PLF of 23.57% registered in FY19. There was improvement in PLF levels during FY20 at 26.48% before again declining to 25.29% in H1FY21 (33.70% in H1FY20) due to unfavourable wind patterns.

In order to achieve better PLF levels in line with the WRA (estimated P-90 PLF is 28.23%), 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 turbines to measure the wind speed and compare it with presently measured wind speed and actual efficiency of the

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

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.

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

Ratabhe 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 Ratabhe RE from GUVNL, usually before the due date of payment. Furthermore, Ratabhe RE has also registered its 26 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 50 months with generation at moderate PLF levels. Ratabhe RE's WRA was conducted by a reputed agency viz. AWS Truepower which had indicated healthy generation levels of around 28.23% 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

Ratabhe RE has a high project DER of around 3.65:1, which increased from around 3:1 post avilment of new loan. The company has refinanced its existing debt along with sanction of additional debt of around Rs.14 crore to repay the unsecured loans / deposits from promoters group. High project DER coupled with fixed tariff and O&M expenditure and low PLF levels have resulted in moderate debt coverage indicators. The project has a long tail period of over four years 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.

As per the financial covenants of the sanctioned debt, payment of coupon on CCDs infused by the promoters is subordinated to bank debt and any such withdrawal is subject to maintenance of minimum DSCR levels of 1.15x with no likelihood of any potential default. Compliance of the aforesaid covenants shall remain crucial from credit perspective.

Liquidity: Adequate

Liquidity of the company is adequate with creation of full DSRA of Rs.9.56 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.2.83 crore as on September 30, 2020. The aforesaid liquidity buffers coupled with generation of cash accruals [including accrual of interest on compulsory convertible debentures (CCDs) from promoters] during FY21 are expected to be sufficient to meet scheduled debt repayments of around Rs.6 crore. CARE also takes cognizance of Ratabhe 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

Ratabhe 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 Morbi, Gujarat. Ratabhe 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, Ratabhe RE would also receive an additional 50 paise per unit under the GBI policy of MNRE for its 26 MW capacity commissioned till March 31, 2017. The project achieved commercial operations in a phase wise manner, with final project COD on August 06, 2016, around two months ahead of the envisaged COD of September 30, 2016.

Brief Financials (Rs. Crore)	FY19 (A)	FY20 (A)
Total Operating Income	25.88	29.01
PBILDT	22.10	21.74
PAT	-7.12	-9.75
Gross Cash Accruals*	6.65	4.02
Overall Gearing (times)	5.10	8.35
Interest Coverage (times)	1.43	1.23

A: Audited

*Considering accrual of coupon payment on CCDs

As per provisional results for H1FY21, Ratabhe RE has reported total income of Rs.13.74 crore with a net loss of Rs.3.11 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	-	-	September 2036	132.40	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	132.40	CARE A-; Stable	1)CARE A-; Stable (14-Apr-20)	1)CARE A-; Stable (29-Nov-19)	1)CARE A-; Stable (13-Dec-18)	1)CARE A-; Stable (13-Mar-18)

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 for any clarifications.

Contact Us

Media Contact

Name: Mradul Mishra

Contact No.: +91 22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Naresh M. Golani

Contact No.: +91 79-4026 5618

Email: naresh.golani@careratings.com

Relationship Contact

Name: Deepak Prajapati

Contact No.: +91 79-4026 5656

Email: deepak.prajapati@careratings.com

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