October 25, 2023

VEH Srishti Energy Private Limited: Rating upgraded to [ICRA]A- (Stable) from [ICRA]BBB+ (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	340.00	340.00	[ICRA]A- (Stable); rating upgraded from [ICRA]BBB+ (Stable)
Total	**340.00**	**340.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating upgrade factors in the successful commissioning of VEH Srishti Energy Private Limited's (VSEPL) 54-MW wind power project on a timely basis without any cost overruns. The plant has demonstrated satisfactory operational performance since it commissioned operations in June 2023. The rating continues to factor in the strong parentage of VSEPL as it is a part of the Vibrant Energy Group, which is a part of Macquarie's Green Investment Group (GIG) with an established track record at the global level in the renewable energy sector. Further, the rating factors in the revenue visibility, supported by the long-term power purchase agreement (PPA) with a reputed counterparty under the group captive structure.

The rating, however, is constrained by the single-part nature of the fixed tariff under the PPA, making the debt metrics of the project sensitive to energy generation which is dependent on weather conditions and seasonality. Further, the project cash flows are susceptible to any adverse movement in interest rates. ICRA also notes that VSEPL is exposed to regulatory risks associated with scheduling and forecasting norms for renewable projects and changes in the group captive norms.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that the project's cash flows will be supported by the presence of the long-term PPA and timely receipt of payments from the customer.

Key rating drivers and their description

Credit strengths

Strong parentage - The 54-MW (AC] wind power project under VSEPL is a part of the Vibrant Energy Group, which is part of Macquarie's Green Investment Group (GIG), through Blue Leaf Energy (wholly owned by Macquarie). Macquarie's GIG has 85+ GW portfolio under development across 25+ markets globally. At present, the Vibrant Energy Group has ~186-MW (DC) capacity of operational assets under management (AUM) along with a large portfolio of under-construction assets, spread across nine states in India. The Group develops open access renewable energy solutions (wind and solar) for corporate customers, mainly through the group captive route.

Low offtake and price risks owing to long-term PPA with group captive customer - VSEPL has signed a 20-year (extendable by 5 years) PPA under the group captive structure with Sify Infinit Spaces Ltd., *rated [ICRA]AA- (Stable)/[ICRA]A1+*, which is a reputed player in the data centre sector. Given the healthy credit risk profile of the offtaker, the counterparty risk remains low. The PPA has been signed for the entire capacity at a competitive tariff, which is at a discount to the grid tariff, thereby mitigating the offtake and price risks.

Satisfactory anticipated debt coverage metrics - The project's debt coverage metrics are expected to remain satisfactory, with an estimated cumulative DSCR of around 1.20 times over the debt tenure. Notwithstanding this, the capital structure will remain leveraged in the near term owing to the debt-funded nature of the project.

Credit challenges

Limited track record of operations - The wind power plant under VSEPL has a limited track record as it commenced operations from June 2023 onwards. Notwithstanding this, the plant's performance has remained satisfactory as indicated by healthy PLF levels for the June 2023 to September 2023 period. The machine availability remained satisfactory, while the grid availability remained healthy during June 2023 to September 2023.

Single-asset operations; sensitivity of debt metrics to energy generation - The debt metrics of the company remain sensitive to generation from the 54.0-MW wind power project, considering the single part nature of the tariff under the PPA. Hence any adverse variation in weather conditions and/or turbine performance may impact the PLF and consequently the cash flows and the debt coverage metrics. The geographic concentration of the asset amplifies the generation risk. The ability of the company to achieve and maintain the appraised P-90 estimate remains a key factor from a credit perspective.

Exposure to interest rate risk - The capital structure of the company is leveraged, reflected in the debt-funded capex deployed to set up the project. Therefore, the company's debt coverage metrics remain exposed to any adverse interest rate movement, given the fixed tariff under the PPA.

Regulatory risk associated with implementation of scheduling and forecasting framework - The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the variable nature of wind power generation. Also, the company's operations are exposed to the risk pertaining to the change in group captive norms.

Liquidity position: Adequate

The liquidity position of VSEPL is supported by the presence of one quarter's DSRA and moderate free cash and bank balances of as of September 2023. The company will create DSRA for another one quarter from the project cash flows in the near term. Further, the company is expected to generate sufficient cash flows from operations in FY2025. This, along with the free cash and bank balances, is expected to remain sufficient to meet the debt repayment obligation in FY2025.

Rating sensitivities

Positive factors - ICRA could upgrade VSEPL's rating if the credit profile of the parent, Vibrant Energy Holdings Pte. Limited (VEHPL), improves, while maintaining satisfactory debt coverage metrics and generation performance staying in line with or above the P-90 levels.

Negative factors - Pressure on VSEPL's rating could arise if the actual PLF remains low on a sustained basis, and/or the company is unable to maintain a cumulative DSCR of 1.15 times on a sustained basis. Also, delays in payments by customers adversely impacting the liquidity position of the company would be a negative trigger. The rating could also be revised downwards if the credit profile of its parent i.e., VEHPL, weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers
Parent/Group support	Implicit support from VSEPL's parent company, Vibrant Energy Holdings Pte. Ltd.
Consolidation/Standalone	Standalone

About the company

VEH Srishti Energy Private Limited (VSEPL), incorporated in 2021, is a special purpose vehicle (SPV) promoted by Vibrant Energy Group. It is 57.4% held by Vibrant Energy Holdings Pte. Ltd. (VEHPL), Singapore, with a negligible holding by VEH Global India Pvt. Ltd. (VEHGIPL) and the rest of the stake held by the C&I customer (42.6%), under the group captive model. VEHGIPL is 99.9% held by VEHPL, Singapore. VEHPL, Singapore (incorporated in 2015), is the main holding company of the Group for the current India portfolio through Aragorn Holding Company Two Pte. Ltd., Singapore (incorporated in 2020).

VEHPL, Singapore, is a wholly-owned subsidiary of Aragorn Holding Company Two Pte. Ltd. (Singapore), which is held ~91% by Blue Leaf Energy Asia Pte. Ltd. (Singapore) and ~9% by Aragorn Holding Company Pte. Ltd. (Singapore). Blue Leaf Energy Asia Pte. Ltd. (BLE) (Singapore) is entirely held by Macquarie Corporate Holdings Pty. Ltd. (MCHPL, Australia), while Aragorn Holding Company Pte. Ltd. (Singapore) is entirely held by Vibrant Energy Ltd. (Cayman Islands), which is eventually held by ATN International Inc (Delaware, 1989) through various step-down subsidiaries.

VSEPL has developed a 54-MW (AC) wind power project at Kasar, Latur district, in Maharashtra. The scheduled commissioning date of the project is June 2023. The company has signed a long-term PPA (20-years) with Sify Infinit Spaces Ltd. at a competitive tariff rate under the group captive structure.

Key financial indicators (audited) - Not applicable as the company commenced operations from this fiscal

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Oct 25, 2023	Feb 09, 2023	-	-
1	Term loans	Long term	340.00	340.00	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loan**	FY2023	-	FY2041	340.00	[ICRA]A- (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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