November 26, 2024

Sun Photo Voltaic Energy India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	314.69	284.76	[ICRA]A (Stable); reaffirmed
Total	**314.69**	**284.76**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA's rating for Sun Photo Voltaic Energy India Private Limited (SPVEIPL, the company) continues to factor in the presence of a long-term power purchase agreement (PPA) with Bangalore Electricity Supply Company Limited (BESCOM) for its 78-MW wind power project. The PPA is at a fixed tariff of Rs. 4.5 per unit for 20 years, thus limiting the demand and pricing risks. The rating also factors in a satisfactory generation by SPVEIPL's wind power project, which improved in FY2024 to 27.9% from 25.7% in FY2023 (~34.0% in 7MFY2025), and remains adequate in relation to the debt servicing requirements of the company. However, the average PLF since commissioning remains below the P-90 estimate, thereby adversely impacting the returns for the project. Going forward, the ability of the company to improve its generation performance from the historical levels remains a key monitorable for an improvement in its credit profile.

ICRA also takes note of the improvement in the realisation period for the payments from BESCOM in FY2024 and H1 FY2025. The payments were being delayed by BESCOM during a large part of FY2022 and H1 FY2023. However, BESCOM has been clearing payments in a timely manner over the past few months on the back of the implementation of the Late Payment Surcharge (LPS) rules by the Government of India. The rating also factors in the company's managerial and technical strengths from being a part of the Acciona Group. Corporacion Acciona Energias Renovables S.A. (CAER) is the holding company of the Acciona Energia Group and is one of the leading renewable energy (RE) companies globally, with an installed RE capacity of 13.9 GW across 25 countries. The credit profile of CAER is supported by a diversified RE portfolio, the long-term contracts driving majority of its revenues and the comfortable credit metrics.

Further, the presence of a long-term operations and maintenance (O&M) contract with Acciona Energy India Private Limited (AEIPL) for 10 years, with a guarantee for minimum machine availability, limits the company's operating risks. The long repayment tenure of the project debt, competitive interest rates and the conservative funding structure are expected to lead to comfortable debt coverage metrics for SPVEIPL, with an estimated cumulative DSCR of around 1.3 times over the debt tenure.

The rating is, however, constrained by the vulnerability of the project's cash flows to the seasonality and possible variation in wind power density across the years, given the singe-part tariff under the PPA. Further, the fixed tariff of the project exposes the company to variations in interest rates on the project debt. Nonetheless, the interest rate being fixed for a period of five years for majority of the debt would limit this risk in the near to medium term.

This apart, the rating factors in the exposure to a single counterparty - BESCOM. Timely realisation of payments from BESCOM and maintaining a comfortable liquidity profile to tide over any temporary cash flow timing mismatches remains a monitorable for the credit profile of the company.

The rating also factors in the regulatory challenges arising from the scheduling and forecasting framework for wind power projects in Karnataka, given the variable nature of wind energy generation. Nonetheless, the company has demonstrated a satisfactory track record so far by keeping the extent of deviation relatively low. ICRA takes note that a part of the promoter funding is in the form of euro-denominated debt, with annual interest and repayment obligations. Nonetheless, the servicing of the promoter debt is subordinated to project debt and is subject to the availability of surplus cash in the distribution account.

The Stable outlook on the long-term rating of SPVEIPL reflects the high revenue visibility, given the long-term PPA with BESCOM at a fixed tariff, an established generation track record and the company's comfortable liquidity profile.

Key rating drivers and their description

Credit strengths

Long-term PPA with BESCOM for 20 years at a fixed tariff – The company's PPA with BESCOM for 20 years at an approved feed-in tariff of Rs. 4.5 per unit for the entire capacity mitigates the demand and pricing risks. The company is also registered for a generation-based incentive (GBI) of 50 paise per unit for the 60-MW capacity with Indian Renewable Energy Development Agency (IREDA), which would augment the cash flows.

Strengths arising from being part of Acciona Group – The Group has significant experience in developing and operating renewable power projects across the globe, with an aggregate operational capacity of 13.9 GW. The Group has a diversified portfolio across 25 countries with long-term contracts driving majority of the revenues and comfortable credit metrics. The Group is expected to support SPVEIPL, in case of any cash flow mismatches, as observed in the past.

Comfortable debt coverage metrics expected over the debt tenure – The company's debt coverage metrics are expected to be comfortable with a projected cumulative DSCR of 1.3 times over the debt repayment tenure, supported by the long-term PPA at reasonable tariffs providing revenue visibility and the long tenure of the project debt.

Long-term O&M contract with AEIPL with pricing fixed for 10 years for service fee – The company signed a long-term O&M contract with AEIPL, with a guarantee for minimum machine availability of the WTGs. The service fee under the contract is fixed for the first 10 years of operations. In case of any shortfall in machine availability, AEIPL is liable to pay liquidated damages, subject to the agreed limits in the contract.

Credit challenges

Sensitivity of debt metrics to energy generation – The generation by the wind farm and consequently the cash flows of the project are susceptible to the seasonality and variation in wind power density, given the one-part tariff structure in the PPA with BESCOM. This risk is amplified by the geographic concentration of the asset. The performance of the wind power asset was better in FY2024 compared to FY2023. The average PLF since commissioning is also lower compared to the P-90 estimate for the project. Nonetheless, the generation has remained adequate in relation to the debt servicing obligations.

Counterparty credit risk associated with exposure to a single offtaker – The counterparty risk for the company arises from its exposure to a single entity - BESCOM. The credit profile of BESCOM is dependent on the timely pass-through of cost variations to customers and timely collections. The payments from BESCOM were timely till FY2021; however, the collection period increased in FY2022 and H1 FY2023 owing to the financial challenges faced by BESCOM. Nonetheless, payments from the discom have been timely for the bills raised since November 2022, following the implementation of the LPS rules. This remains a key monitorable for the company, going forward.

Sensitivity to interest rate movements – The debt coverage metrics would remain sensitive to the interest rate movement, given the fixed nature of the tariff under the long-term PPA with BESCOM and the leveraged capital structure. Nonetheless, ICRA notes that the interest rate is fixed for five years for a large portion of its debt.

Regulatory challenges of implementing scheduling and forecasting framework in Karnataka – The regulatory challenges of implementing the scheduling and forecasting framework for wind power projects in Karnataka pose a risk, given the variable nature of wind energy generation. However, the risk is mitigated to some extent by the presence of an experienced team and a satisfactory track record demonstrated so far, in keeping the extent of the deviation relatively low.

Liquidity position: Adequate

The liquidity position of SPVEIPL is expected to remain adequate, supported by a healthy buffer between the cash flows from operations and debt servicing requirements, along with unencumbered free cash & bank balances of ~Rs.27.7 crore as on March 31, 2024 and ~Rs. 16.0 crore as on October 31, 2024. The company further maintained an O&M reserve of Rs. 3 crore as on October 31, 2024. The presence of a DSRA equivalent to two-quarter interest and principal obligations (in the form of fixed deposits of Rs. 10 crore and a bank guarantee of Rs. 18.4 crore as on October 31, 2024) provides additional headroom to tide over any temporary cash flow timing mismatches. However, to align with the revised methodology, ICRA has not factored the same in its liquidity assessment in the current exercise, given that the transaction documents are open-ended on ensuring DSRA availability prior to default. Therefore, maintenance of healthy free cash and bank balances by the company (over and above the DSRA and O&M reserve) would be a key monitorable from a liquidity perspective, going forward.

Rating sensitivities

Positive factors – ICRA could upgrade SPVEIPL's rating if it achieves a generation performance higher than the historical average along with timely payments from the offtaker, leading to an improvement in the credit metrics and maintaining a comfortable liquidity profile. Also, the rating could be upgraded if the credit profile of its parent Group, led by CAER, improves.

Negative factors – Pressure on SPVEIPL's rating could arise in case of any delays in realising the payments from BESCOM that would adversely impact its liquidity position. Further, any under-performance in generation by the wind power project adversely impacting the debt coverage metrics and liquidity position of SPVEIPL would be a negative trigger. A specific credit metric for downgrade is the cumulative DSCR falling below 1.25 times. Also, the rating could be downgraded if the credit profile of its parent Group, led by CAER, deteriorates.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Wind
Parent/Group support	The rating for SPVEIPL considers the implicit benefit of being a part of the Acciona Energia Group, led by CAER. ICRA expects the Group to extend financial support to SPVEIPL, should such a need arise
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

SPVEIPL, promoted by the Spain-based Acciona Group, is operating a 78-MW wind power plant at Bannur in the Bijapur district of Karnataka. The project was commissioned in two phases, with 60 MW being commissioned by March 31, 2017, and the remaining 18 MW commissioned by September 30, 2017. The project was set up at a cost of about Rs. 770 crore and funded through a debt of Rs. 399 crore (against the apprised debt of Rs. 454 crore), equity of Rs. 164 crore, sponsor debt of 15 million euros and reimbursement from Group entities for the development of common evacuation infrastructure. The WTGs for the project were supplied by Acciona Windpower India Private Limited (Nordex – Acciona company), while the operations and maintenance are managed by AEIPL.

Key financial indicators (audited)

SPVEIPL Standalone	FY2023	FY2024
Operating income	85.42	92.74
PAT	0.62	21.09
OPBDIT/OI	75.36%	76.53%
PAT/OI	0.73%	22.74%
Total outside liabilities/Tangible net worth (times)	4.46	3.56
Total debt/OPBDIT (times)	6.98	6.02
Interest coverage (times)	1.41	1.61

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Nov 26, 2024	Sept 1, 2023	Jul 28, 2022	Jul 27, 2021
1	Term loan	Long term	284.76	[ICRA]A (Stable)	[ICRA]A (Stable)	[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**	FY2018	-	FY2036	284.76	[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

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 4547 4829
vikram.v@icraindia.com

Ritabrata Ghosh
+91 33 7150 1100
ritabrata.ghosh@icraindia.com

Chinmay Sheth
+91 79 4027 1550
chinmay.sheth@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches