

December 04, 2019

## Bhilwara Green Energy Limited: Rating upgraded

### Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme (NCD)	177.44	177.44	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
<b>Total</b>	<b>177.44</b>	<b>177.44</b>	

*\*Instrument details are provided in Annexure-1*

### Rationale

The rating revision factors in the significant improvement in the collection performance and satisfactory operational performance from the 49.5-MW wind power plant. The collection performance of the company has also improved significantly as previous delays in receipt of payments from Maharashtra State Electricity Distribution Company Limited (MSEDCL) have been cured with the present receivable cycle between 2 months and 3 months. The plant has a generation track record of over six years, with average actual generation in line with the P90 estimates. The rating continues to factor in Bhilwara Green Energy Limited's (BGEL) strong parentage, as it is promoted by Hero Future Energies Private Limited (HFEPL), which is the flagship company for the Hero Group's renewable energy assets. ICRA also factors in the comfortable liquidity profile of the company as reflected by surplus cash balances and availability of working capital limits that are unutilised at present.

Nevertheless, the company's profitability and debt protection metrics remain sensitive to its operational performance. Any adverse variation in wind conditions may impact PLF levels and consequently affect cash flows. Further, BGEL remains exposed to the credit risk profile of a relatively weaker counterparty, i.e. MSEDCL, which offtakes the entire power generated by the company. ICRA also notes that the company has not created a two-quarter DSRA reserve at present and had previously obtained a waiver from lenders which was valid up to October 2019. The company has requested a similar extension, which is pending for approval. The rating also takes into account the weak financial profile of Regen Powertech Private Limited, which is the O&M contractor for this project. Further, there have been previous instances of lower machine availability than the benchmark levels. The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the limited experience of developers of operating in India.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that BGEL will continue to benefit as a part of the Hero Group and the support from the Group will be forthcoming if required. ICRA also expects operational performance to be steady and does not foresee any material increase in the overall debt of the company.

### Key rating drivers

#### Credit strengths

**Strong position of Hero Group in India's renewable energy space** – CWPB benefits from the sponsor strength as it is promoted by BCIPL [rated [ICRA]AA (Stable)], which is also the holding company for Hero MotoCorp (rated [ICRA]AAA (Stable) /A1+). Further, there has been an equity infusion of ~\$125 million by IFC and IFC GIF, which are arms of the World Bank and rated by Moody's at AAA. Moreover, the company has secured a commitment of \$150 million from Masdar, which is ultimately owned by the Government of Abu Dhabi. The Hero Group, which is managed by a team of

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well-experienced promoters, technocrats and investment/finance professionals, has an operational portfolio of more than 1,200 MW and assets under development of another ~1,200 MW.

**Revenue visibility of projects due to long-term PPA with MSEDCL** – BGEL has an existing long-term PPA at a weighted average tariff of Rs. 5.51 per unit with MSEDCL for its full 49.5-MW capacity. Long-term PPAs for the project with the state utility lowers offtake risks and provides revenue visibility. The project has completed operations of more than six years and still has revenue visibility of close to seven years.

**Satisfactory generation since commissioning** – The project has an operational track record of more than six years. The average generation over the last six years from this 49.5-MW wind asset has been in line with the P90 generation estimate. Generation in 7M FY2020 has also been in line with the expected level. The project is also eligible to obtain GBI benefits.

**Improvement in collection profile** – Previously, the collection cycle of the company stretched even beyond one and a half years as MSEDCL did not make a single payment between November 2017 and October 2018. In the interim, BGEL approached MERC for recovery of its dues and the latter issued a common order, directing MSEDCL to make payment against the due invoices along with the late payment surcharge. Subsequently, BGEL voluntarily waived off the late payment surcharge and recovered most of its past overdues between November 2018 and March 2019. The collection performance remained satisfactory thereafter, with the present receivable cycle being between two months and three months.

## Credit challenges

**Vulnerability of cash flows to variation in weather conditions** – As tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to variation in weather conditions. This in turn would affect the company's cash flows and debt servicing ability.

**BGEL remains exposed to MSEDCL's credit risk profile** – As MSEDCL offtakes the entire quantum of power generated by the assets of BGEL, it remains exposed to the weak credit risk profile of the former. Any significant delay in payments by the counterparty will stretch the company's receivable cycle and in turn adversely impact the overall liquidity profile. While there have been no incidences of any grid curtailment so far, operations may be exposed to grid curtailment risk, given the relatively high PPA tariff compared to the average power purchase cost of the utility offtaker and the absence of any grid curtailment compensation clause in the PPA.

**Weak credit profile of Regen Powertech which is the O&M contractor** – BGEL had entered into an O&M agreement with Regen Powertech Private Limited which is valid for the full duration of its PPA. Off late there have been instances of machine availability remaining lower than benchmark levels. The credit profile of Regen remains weak which is inhibiting it to fulfil its responsibilities in a timely manner and therefore having an adverse impact on the operations of BGEL.

**Regulatory risks associated with implementation of scheduling and forecasting framework for renewable energy sector** – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the limited experience of developers of operating in Indian conditions.

## Liquidity Position: Adequate

The liquidity profile of the company is **adequate** as reflected by the surplus cash balances of ~Rs. 30 crore as on November 11, 2019 along with availability of working capital limits of ~Rs. 15 crore which were completely unutilised. Further, company has modest annual debt repayment obligations between Rs. 21-25 crore over the next three years and there are no major capex plans. Cash flows from operations along with funds available within the company are expected to be adequate to meet the debt obligations. However, ICRA also notes that, the company has not created a two quarter DSRA reserve at present and had previously obtained a waiver from lenders which was valid uptill October 2019. A similar extension has been requested by the company and the same is pending for approval. ICRA continues to factor in that, the company is a part of the Hero group and the promoter group would continue to support the operations in case of a cash flow mismatch.

## Rating sensitivities

**Positive triggers** – Positive triggers would include operational and collection performance remains satisfactory on a sustained basis improvement in liquidity profile and cash flows in a sustained manner there are no regulatory uncertainties and improvement in credit profile of the group.

**Negative triggers** – The rating could be downgraded in case of deterioration of the operational performance of project asset adverse impact on liquidity profile and cash flows leveraging of capital structure and deterioration in credit profile of the group.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Wind Power Producers</a>
Parent/Group Support	We expect BGEL's parent, Hero Wind Energy Pvt. Ltd. (HWEPL) to be willing to extend financial support to BGEL, should there be a need, given the high strategic importance that BGEL has for HWEPL
Consolidation / Standalone	The rating is based on the standalone financial profile of the company

## About the company

BGEL is promoted by HWEPL, which is a subsidiary of HFEPL (promoted by BCIPL, which is also the holding company of Hero Motocorp). HWEPL holds a 100% equity in BGEL, which operates a 49.5-MW wind-based power plant in Satara, Maharashtra. The project has been commissioned in stages, with 30-MW generation capacity commissioned in March 2012, 10.5 MW during May-September 2012, and the balance 9 MW in June-October 2013. The project's development and execution were carried out by Regen Powertech India, which is also the O&M service provider. BGEL has a PPA with MSEDCL for its entire generation capacity at a fixed tariff (weighted average of Rs. 5.51/kwh) for a term of 13 years from the date of commissioning of respective WTGs. The project is also registered with IREDA for receiving generation based incentives (GBI) under the scheme launched by the GOI.

## Key financial indicators (Standalone)

	FY2018	FY2019	H1 FY2020*
Operating Income (Rs. crore)	52.6	57.9	38.3
PAT (Rs. crore)	-10.5	9.6	17.0
OPBDIT/OI (%)	87.0%	84.8%	85.2%
RoCE (%)	7.0%	16.2%	23.1%
Total Debt/TNW (times)	3.38	2.47	1.88
Total Debt/OPBDIT (times)	4.27	3.40	2.43
Interest coverage (times)	1.83	2.21	3.62

\*Unaudited

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for last three years

Current Rating (FY2020)					Chronology of Rating History for the past 3 years				
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding March 31, 2019 (Rs. crore)	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018			Date & Rating in FY2017
						04-December 2017	03-November 2017	25-October 2016	
1 NCD	Long Term	177.44	113.38	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB &	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)

&- rating watch with developing implications

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE030N07035	NCD	17-October-2014	-	April 2024	177.44	[ICRA]BBB (Stable)

Source: Hero Group

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