



Press Release
Winsol Solar Fields (Polepally) Private Limited
July 28, 2023

Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	521.00	ACUITE A+ Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	521.00	-	-

Rating Rationale

Acuite has reaffirmed & withdrawn its long-term rating of '**ACUITE A+** (read as **ACUITE A plus**)' on the Rs. 521.00 Cr. bank facilities of Winsol Solar Fields Polepally Private Limited (WSFPL).

The rating has been withdrawn on account of the request received from the company, and subsequent NOC received from the banker as per Acuite's policy of withdrawal of ratings.

Rationale for the rating

The rating considers strong credit and financial risk profile of the Sembcorp Utilities Pte Ltd (SUPL) which recently has acquired Vector Green Energy Private Limited (VGEPL) through its step down subsidiary Green Infra Wind Energy Limited (GIWEL). Including Vector Green, Sembcorp's gross renewables portfolio installed and under development in India will total to 3GW, comprising 1GW of solar assets and 2GW of wind assets.

Further, Acuite has continued to consider the consolidated business and financial risk profile of the 6 SPV's of the Vector Green group - Polepally Soar Parks Private Limited (PSPPL), Mahabubnagar Solar Parks Private Limited (MSPPL), Winsol Solar Fields (Polepally) Private Limited (WSFPL), Hindupur Solar Park Private Limited (HSPPL), Vector Green Sunshine Private Limited (VGSPL) Vector Green Surya Urja Private Limited (VGSUPL) to arrive at the rating. The analytical approach allows for factoring the management stated posture of supporting the individual entities in the group in the times of distress. While the assets are renewable power assets and are governed by individual Power Purchase Agreements (PPA) with different counter parties, there is no intermingling of cashflows at any stage except at the time when the trustee evaluates the servicing ability in individual debt servicing accounts. Further, the rating continues to derive comfort from stable operations in terms of PLF of the assets and limited off-take risk. Additionally, rating also considers the support available from the parent company and corporate guarantees extended under the obligor co-obligor structure by the 6 SPV's towards each other.

However, the above-mentioned rating strengths are constrained by deteriorated operating performance of the group. The group has reported net losses of around Rs. 39 Cr. during FY2023 (Provisional) driven by losses reported by one of its SPVs i.e HPSPL. Further, the rating is offset by longer receivable cycle on account of delays in payments from state distribution utilities and risk of further deterioration in performance or cash flow position of one or more SPVs simultaneously leading to reduction in surplus cash flow availability.

About Company

Winsol Solar Fields (Polepally) Private Limited (WSFPL) is a Special Purpose Vehicle (SPV) of Vector Green Energy Private Limited (VGEPL) which operates a 75 MW solar power plants in

Karoor, Kondagal and Tandur Telangana. It was incorporated in 2014 and operations for the plant began in 2016. It has signed a PPA with Southern Power Distribution Company of Telangana Limited with a residual life of 21 years.

About the Group

Vector Green Energy Private Limited (VGEPL) is a renewable energy platform wholly owned by GIWEL, a company part of the Sembcorp group. VGEPL has an aggregate portfolio of 709 MW solar (DC Capacity), 24 MW wind and 216 solar rooftop sites across India aggregating to 9 MW (DC). VGEPL has structured six of its SPVs into an obligor/ coobligor structure including PSPPL and five others namely – Mahabubnagar Solar Parks Private Limited (MSPPL), Winsol Solar Fields (Polepally) Private Limited (WSFPL), Hindupur Solar Park Private Limited (HSPPL), Vector Green Surya Urja Private Limited (VGSUPL) and Vector Green Sunshine Private Limited (VGSPL). MSPPL operates a 10 MW plant in Mahabubnagar, WSPPL operates three plants at Tandur (50 MW), Karoor (15 MW) and Kondagal (10 MW), HSPPL operates two plants at Anantapur (40 MW) and Punganuru (40 MW) and VGSUPL and VGSPL operate plants of 20 MW each in Punjab. Currently all the six SPVs considered under VGEG are currently under an obligor/coobligor structure with the lender.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated financial and business risk profiles of six SPVs of VGEPL to arrive at the rating. Full consolidation approach has been considered as all the SPVs are in the same line of business; they are managed at the holding company level by the same team, currently proposed to have a common lender and the TRAs will be monitored by the same Trustee. The details of the 6 SPVs included are mentioned in Annexure – I and hereon will be referred to as Vector Green Energy Group (VGEG).

Key Rating Drivers

Strengths

Strong credit profile of the sponsor

Sembcorp Utilities Pte Ltd (SUPL) is the holding company of Sembcorp Green Infra Limited (SGIL) which holds Green Infra Wind Energy Limited (GIWEL). SUPL acquired VGEG through GIWEL in January 2023. SUPL has an energy portfolio of 16.7GW, with 7.1GW of renewable energy capacity comprising solar, wind and energy storage globally. The group also has a proven track record of transforming raw land into sustainable urban developments, with a project portfolio spanning over 13,000 hectares across Asia. Further, GIWEL is a majority held subsidiary of SGIL, with a portfolio of 801 MW operational wind power projects located in Maharashtra, Karnataka, Madhya Pradesh and Gujarat. GIWEL reported gross revenues at Rs. 11,739 Cr. during FY2022 and has signed long-term PPAs with Maharashtra State Electricity Distribution Company Ltd, GUVNL, Bangalore Electricity Supply Company Ltd, MP Power Management Company Ltd and SECI.

Acuite believes VGEG will benefit from the strong credit profile of SUPL over the medium term.

Established operational track record and limited off take risk

VGEG has six SPVs with total generation capacity of 230 MW. WSPPL has three projects and PSPPL and MSPPL have one each in Telangana. HSPPL has two projects in Andhra Pradesh and VGSUPL and VGSPL have one project each in Punjab. All the nine projects have started commercial operations in year 2016 and have an operational track record of more than six years along with stable cash flow generation. The average plant load factor (PLF) has ranged

between 17-23 percent (above P90 levels) for the past six years with robust plant availability factor in excess of 90 percent over the same period. All the SPVs in VGEG have signed long term PPAs with State Power Distribution Companies for their installed capacity. PSPPL, MSPPL and WSPPL's projects have PPAs with Southern Power Distribution Company of Telangana Limited, VGSUPL and VGSPL have PPA with Punjab State Power Corporation Limited and HSPPL's projects has PPA with AP Power Distribution Company Limited. The weighted average residual tenure on all PPAs is over 20 years thus reducing the off-take risk and providing revenue visibility over the long term.

Acuite expects VGEG's operational performance to remain stable over the medium on account of stable generation and signed long term PPAs.

Weaknesses

Deterioration in the VGEG's financial performance

VGEG's operating performance has deteriorated marked by consolidated revenues of Rs. 278 Cr. in FY2023 (Provisional) against Rs. 299 Cr. in FY2022. This is due to lower revenue contribution from one of its SPVs HSPPL during the same period. Further, HSPPL has also reported losses to the tune of Rs. 45 Cr during FY2023 (Provisional). These pertain to certain bad debts provisions to the tune of Rs. 52 Cr. made by the company during FY2023 (Provisional). This is partly contributed by the tariff dispute with AP State Distribution Company. The State Distribution Companies has been making payments at the interim tariff rate of Rs. 2.44 per unit as against the rate agreed in the PPA of Rs. 5.91 and Rs. 5.98 for the two projects in Andhra, respectively. This has resulted in overall losses to the tune of Rs. 38.83 Cr for the group on a consolidated level. Further, the losses have resulted into significant washing off of the tangible net worth which stood at Rs. 233.45 Cr. as on March 31, 2023 (Provisional) against Rs. 272.45 Cr. in FY2022. The gearing stood increased at 7.42 times against 5.87 times during the same period.

Acuite believes that group's ability to limit further losses while maintaining a comfortable financial risk profile will remain a key rating sensitivity.

Intensive working capital cycle

VGEG's working capital cycle although improved in FY2023 against FY2022 is intensive reflected in the longer receivable period of 315 days against 566 days in previous year. Provisions to the tune of Rs. 52 Cr. for expected bad debts has been created under HSPPL during FY2023 and this has resulted in the overall improvement of the debtor days. The elongation has primarily been on account of delays in payment of dues from State Distribution Companies over and above the 60-90 days credit period provided in the PPA. The Group has PPAs with three State Distribution Companies – Andhra Pradesh, Telangana and Punjab. There is considerable delay in payment from the AP State Distribution Companies. The average receivable period for the last three years ended March 2023 in the HSPPL (AP SPV) stood at over 625 days. Further, the average three years receivables period in PSPPL, MSPPL and WFPPL remained at around 361 days wherein the SPVs majorly serve AP & Telangana discoms. This is majorly aggravated by the tariff dispute with AP State Distribution Company. The State Distribution Companies has been making payments at the interim tariff rate of Rs. 2.44 per unit as against the rate agreed in the PPA of Rs. 5.91 and Rs. 5.98 for the two projects in Andhra, respectively. However, as on March 15, 2022 the AP High Court has ruled in favour of the VGEG has directed AP Discom to clear all outstanding dues under PPA as per contracted PPA tariff within 6 weeks from the date of the order. However, the payments have started from August 2022. Further, AP and Telangana Discom are expected to clear the past dues in 12 equal monthly installments in line with the LPS scheme. This is expected to improve VGEG's working capital cycle over the medium term.

However, Acuite believes VGEG's ability to restrict any elongation in its receivable position and working capital cycle will remain a key monitorable.

ESG Factors Relevant for Rating

As a renewable energy producer, VGEPL plays an important environmental role as it contributes to the reduction of carbon emissions. Additionally, issues such as biodiversity impact, waste management and a green supply chain are critical for this industry from an

environmental perspective. On the matter of governance, ethical business practices and the structure of the board of directors along with its functioning are material factors. Labour management, workplace health & safety standards, and community development are social issues are relevant for an energy producer. Other material issues include product safety, quality and supply chain management. VGEPL Group has a robust environmental and social management system (ESMS). The company's operations are aligned to UN sustainable development goals that emphasize on ensuring access to affordable and sustainable energy, promoting inclusive growth of the society, creating sustainable cities and communities and combating climate change and its impact. Further, under social initiatives, the company has provided employment to more than 475 local people with more than 1500 man days training provided to migrant workers for skill development.

Rating Sensitivities

- Any significant changes in the receivables position of one or more SPVs
- Ability to restrict any further losses on a consolidate level thereby maintaining comfortable financial risk profile

Material Covenants

None

Liquidity Position Adequate

VGEG has been generated Net Cash Accruals (NCAs) of Rs. 22.65 Cr for FY2023 (Provisional.) against repayment obligations of Rs. 59.42 Cr. However the group has support from its parent (VGEPL) and also has received funding in the form of USL to the tune of Rs. 669 Cr. during the same period. The Group operations are working capital intensive with Gross Current Assets (GCA) of over 775 days in FY2023 (Prov.). However, the adverse liquidity impact of this is limited as the Group has liquid investments of Rs. 196.72 Cr as on March 31, 2023 (Prov.) and has sufficient cushion in the form of working capital limits. Besides this, the Group also enjoys support from its parent VGEPL. Thus Acuité expects VGEG to maintain an adequate liquidity profile on account of liquidity buffers and expected support of the parent constrained to some extent on account of working capital intensive operations.

Outlook: Not Applicable

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	279.64	299.04
PAT	Rs. Cr.	(38.83)	22.67
PAT Margin	(%)	(13.89)	7.58
Total Debt/Tangible Net Worth	Times	7.42	5.87
PBDIT/Interest	Times	1.12	1.52

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Oct 2022	Term Loan	Long Term	521.00	ACUITE A+ Stable (Reaffirmed)
08 Sep 2022	Term Loan	Long Term	521.00	ACUITE A+ Stable (Downgraded from ACUITE Provisional AA (CE) Stable)
08 Nov 2021	Term Loan	Long Term	521.00	ACUITE Provisional AA (CE) Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not Applicable	Term Loan	30 Sep 2021	8.80	01 Mar 2037	Simple	521.00	ACUITE A+ Reaffirmed & Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

Particulars
Polepally Solar Parks Private Limited (PSPPL)
Mahabubnagar Solar Parks Private Limited (MSPPL)
Winsol Solar Fields (Polepally) Private Limited (WSFPL)
Hindupur Solar Park Private Limited (HSPPL)
Vector Green Surya Urja Private Limited (VGSUPL)
Vector Green Sunshine Private Limited (VGSPL)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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