

# PPA renegotiations may hit green power firms' cash flows

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**Mumbai:** With Andhra Pradesh government asking renewable energy generators to renegotiate power purchase agreements (PPAs), Fitch Ratings is of the view that it will hamper private players' operating cash flows.

Among the reasons for this impact is a delay in payments by state-owned distribution companies, or discoms.

Earlier this month, the Andhra Pradesh government had formed a high-level negotiation committee to look into PPAs of solar and wind energy, citing high tariffs.

On Wednesday, in a report, Fitch Ratings said, "We expect the Andhra Pradesh government to face vigorous challenges from operators of renewable power projects and the central government. Fitch will treat the successful renegotiation of the PPAs, if any at all, as event risk in our credit



assessment of rates bonds issued by restricted groups of India renewable companies."

In Andhra Pradesh, the offtake exposure to the discoms is highest for Greenko Solar followed by Neerg Energy and Greenko Dutch B.V.

On the other hand, the companies with a low exposure include Azure Power and ReNew.

"We expect the intention to renegotiate tariffs to further extend the receivables days for the wind and solar power projects in the state, which already exceed eight months. This will increase capital pressure on generators with high exposure," said a Fitch Ratings report.

Sabyasachi Majumdar, group head (corporate ratings), Icra, said, "In our view, PPAs are contractual documents and unilaterally modifying the same is likely to be subjected to legal challenges. Any attempts to renegotiate without mutual consent may adversely impact investor sentiment and future investments in the sector."

Keeping this factor in mind, the central government has already asked the Andhra Pradesh government not to go ahead with the renegotiation of PPAs. However, for now, halting of the renegotiation process looks unlikely.