By Aman Malik ⁝ 6-8 minutes

Spotlight: Can AT Capital's legacy help Juniper Green Energy meet its bold targets?

Naresh Mansukhani, CEO, Juniper

In early January, Juniper Green Energy Pvt Ltd said that it would spend Rs 8,000 crore to expand its renewable energy generation capacity. By all measures, that's a big sum of money, especially for a low-profile company, and it may seem like a tall order. But dig a little deeper and it becomes apparent that Juniper's ambitions are not entirely out of whack.

Juniper is backed by AT Capital, the family office of the Singapore-based NRI businessman Arvind Tiku, as well as other investors including Dutch energy and commodity trading company Vitol. While AT Capital owns a 75% stake in the company, Vitol holds the remaining 25% in the company that began operations in October 2018.

Both of Juniper's principal backers said in September last year that they would pump an additional $150 million (Rs 1,244 crore) into the green energy company, two years after making an initial investment of $200 million.

This isn't AT Capital's first foray in India's fast-growing renewable energy sector. The Singapore-based firm had previously started Orange Renewable and grew it to a capacity of about 1 GW. In June 2018, AT Capital agreed to sell Orange to renewable energy giant Greenko Group. The deal ran into a wall thereafter but was renegotiated and eventually closed in October 2018, the same month Juniper began operating.

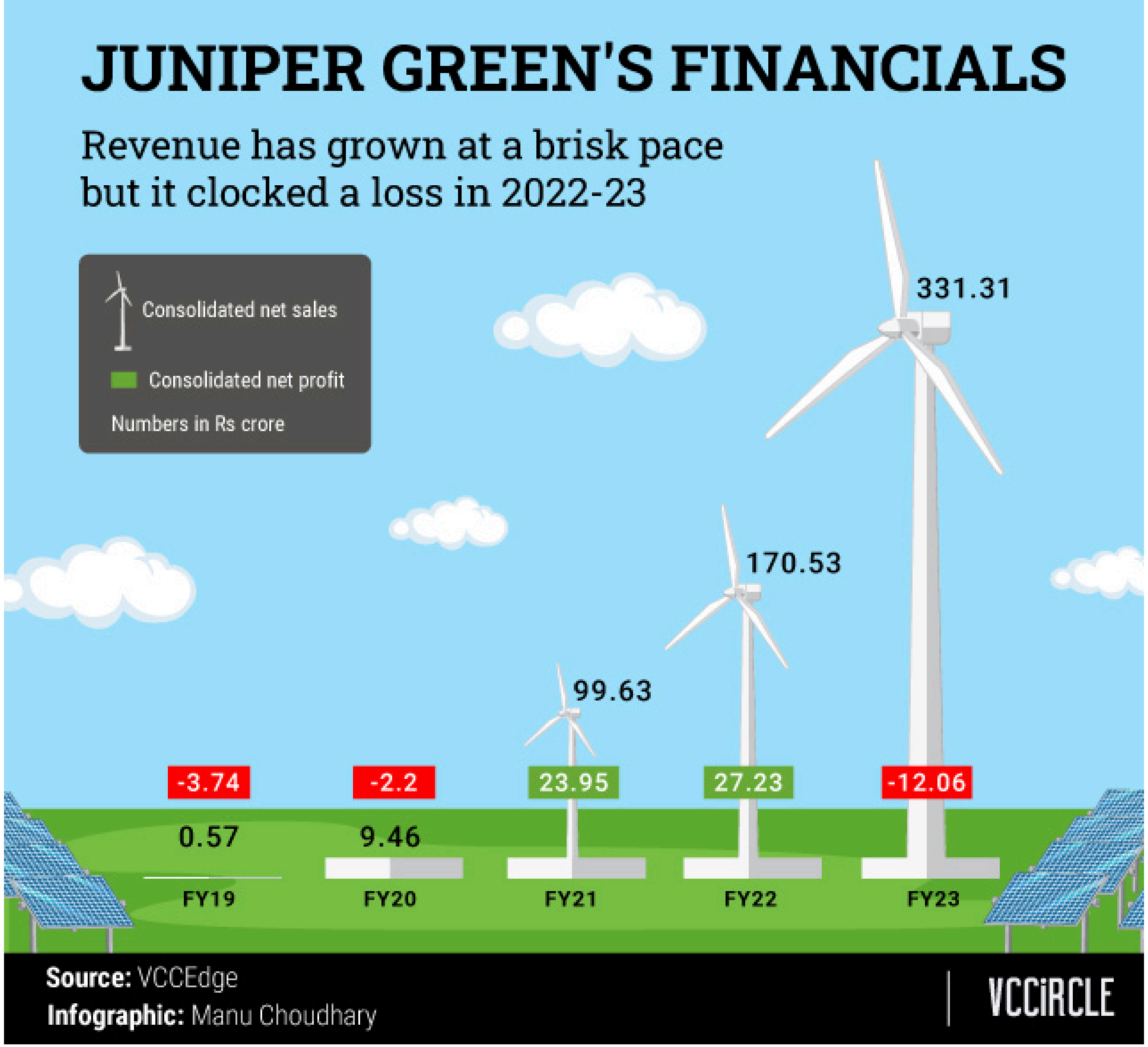
Five years on, Juniper now has as large a capacity as Orange had at the time of its sale. But it has bigger ambitions.

At the time of the second investment in September, Juniper said it had an operational portfolio of 800MW, with an under-construction capacity of 435MW and a pipeline of 3GW across solar, wind and hybrid projects.

In a report the same month, credit rating firm India Ratings said that Juniper and its subsidiaries were operating 280MW solar capacity in Maharashtra and 310MW in Gujarat. In addition, the company and its subsidiaries had 195MW of under-construction projects across the two states.

The fresh capital infusion further spurred the company's ambitions. In fact, at the time the follow-on investment was announced, Juniper said it would use the new money to triple its operational capacity to 2.4GW by 2026. Company executives separately also said that the Rs 8,000 crore would be used to add 1GW to the portfolio. In addition, it has tied up debt funding of Rs 5,000 crore from state-run Power Finance Corp.

Expansion plans notwithstanding, how has Juniper faired over the last five years in terms of its financial performance? Neither the company nor AT Capital responded to a detailed questionnaire sent by VCCircle. So, to track its performance, we trawled through our in-house database VCCEdge and looked at reports put out by credit rating firms.



VCCEdge data shows that, over the last five financial years, Jupiter has grown at a brisk pace. The company's topline has recorded a significant rise, from a little over Rs 9.4 crore in 2019-20 to Rs 331.3 crore for 2022-23.

Having said that, Juniper has not been able to maintain a secular growth trajectory when it comes to profitability. VCCEdge data, based on Juniper's filings with the Registrar of Companies, reveals that after recording minor losses in 2018-19 and 2019-20, the company turned a corner in the following year with a net profit just shy of Rs 24 crore.

During the following year—2021-22—the net profit rose to cross the Rs 27 crore mark. But Juniper again slipped into the red in 2022-23, recording a net loss of Rs 12 crore.

To be sure, this may just be a sign that Juniper is in its growth phase. In fact, most renewable energy companies in a growth phase do often tend to show a consolidated net loss as special purpose vehicles, or SPVs, that are yet setting up their projects do not turn a profit till operationalization. Renewable energy companies operate on the SPV model with each new project being housed under a separate group company.

In fact, the company has managed to impress credit rating firms. In a September 2023 report on a 30MW project in Maharashtra, while reaffirming its ‘A’ rating with a ‘Stable’ outlook, CRISIL Ratings cited Juniper’s “healthy revenue visibility and debt-servicing metrics” as being a key driver for its decision although it did say that the company remained susceptible to “risks related to the counterparty and those inherent in renewable energy assets.”

What also goes in the group’s favor is the fact that by June last year it had tied up power purchase agreements (PPAs) for 755MW out of its 825MW capacity for 25 years with Gujarat Urja Vikas Nigam Ltd and Maharashtra State Electricity Distribution Company Ltd.

“The availability of PPAs limits demand and tariff risks and provides revenue visibility for Juniper,” ratings firm ICRA noted in a June 2023 report. “Moreover, these PPAs include provisions to compensate developers in case of constraints in grid availability, transmission infrastructure and which is a positive for the power producer. Further, all the PPAs have clauses for termination penalties to the developer in case a discom default,” the ICRA report said.

Even though these long-term contracts mean that Juniper has revenue visibility, tariff competitiveness, comfortable debt coverage metrics and an experienced management team, some challenges remain.

As CRISIL and ICRA noted, Juniper faces execution risks as a large part of its capacity is still under development. Moreover, its debt metrics remain sensitive to energy generation by its subsidiaries.

“The revenues and cash flows from the company’s power projects remain sensitive to energy generation due to the single-part tariff in the PPA. Any adverse variation in the solar irradiation level, wind speeds or equipment performance may impact energy generation and consequently the cash flows,” ICRA noted in its report.

Juniper’s promoters have big plans for the renewable energy company. Whether they will be able to execute their plans on ground, only time will tell. But their track record and experience with Orange Renewable hold them in good stead.