February 22, 2021

Orient Green Power Company Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based – Term loan	34.39	34.39	[ICRA]D; reaffirmed
Total	**34.39**	**34.39**	

Instrument details are provided in Annexure-1

Rationale

The reaffirmation of rating takes into consideration the delays in servicing of the debt obligations guaranteed by Orient Green Power Company Limited (OGPCL). While ICRA notes that OGPCL is servicing the debt on its standalone balance sheet in a timely manner, there have been delays in servicing the debt guaranteed by OGPCL to its subsidiaries, which hold the wind power assets. This is primarily because of the subdued operating performance of the wind assets, coupled with delays in receipts of payments for the capacity exposed to distribution utilities (discoms) in Andhra Pradesh (AP), which led to cashflow mismatch. The rating further takes into consideration the company's modest financial risk profile, characterised by weak debt protection metrics and a leveraged capital structure. The rating also remains constrained by the vulnerability of cashflows to variation in wind power density, given the single part tariff under the power purchase agreements (PPAs). ICRA, however, continues to take note of the established presence and the reasonable track record of the company's operations in the renewable power segment, with an installed capacity of 421 MW in the wind power division, having PPAs with state distribution utilities and industrial customers.

Key rating drivers and their description

Credit strengths

Established presence in renewable power segment – OGPCL has an established presence in the renewable power segment, with an installed operational capacity of 421 MW wind power projects.

Credit challenges

Delays in guaranteed debt repayment obligations – There have been continued instances of delays in servicing the debt guaranteed by OGPCL for its subsidiaries. This is primarily because of the subdued operating performance of the wind assets, coupled with the delays in receipts of payments for the capacity exposed to AP discom, which led to cashflow mismatch. However, at a standalone level, the debt servicing by OGPCL is in a timely manner.

Financial profile characterised by leveraged capital structure and weak debt coverage indicators - Given the debt-funded capex undertaken over the years, the company's gearing level continues to be high. The debt service coverage indicators (consolidated) of OGPCL remain modest, with interest coverage of 1.7 times and DSCR of 1.0 times for FY2020.

Vulnerability of cashflows to variation in wind speed - Variability in wind speed may affect PLF levels and actual electricity generation, thereby leading to volatility in revenues and cashflows, given the single part tariff under the PPAs.

Liquidity position: Poor

The liquidity of the company remains poor as reflected in the delays in repayment of debt obligations guaranteed by OGPCL. The company's liquidity position at a consolidated level continues to be plagued by high interest burden and sizeable debt repayment obligations associated with significant debt-funded capex taken up in the past. Further, subdued operating performance coupled with delays in receipts of payments for the capacity exposed to AP discom has led to cashflow mismatch, resulting in delays in debt servicing.

Rating sensitivities

Positive factors – Timely servicing of debt obligations, including the debt guaranteed by OGPCL on a sustained basis, could lead to an upward revision in the rating.

Negative factors – Not applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on Default Recognition Rating Methodology for Wind Energy Projects
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated business and financial profile of the company.

About the company

Incorporated in 2006, OGPCL is into renewable power generation with focus on wind and biomass power segments. As on March 31, 2020, the company had installed capacity of 421 MW of wind power plants across Tamil Nadu, Andhra Pradesh, Gujarat, Karnataka and Europe. OGPCL is promoted by SVL Limited (Shriram Group) and is listed on both BSE and NSE.

Key financial indicators (audited)

OGPCL Consolidated	FY2019	FY2020
Operating Income (Rs. crore)	323.3	369.0
PAT (Rs. crore)	-48.6	19.9
OPBDIT/OI (%)	72.0%	72.8%
PAT/ OI (%)	-15.0%	5.4%
Total Outside Liabilities/Tangible Net Worth (times)	3.6	3.2
Total Debt/OPBDIT (times)	6.6	5.2
Interest Coverage (times)	1.2	1.7

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 (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2020 (Rs. crore)	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 22, 2021	Nov 29, 2019	May 31, 2018	-
1	Fund based – Term loan	Long-term	34.39	33.89	[ICRA]D	[ICRA]D	[ICRA]D	-

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

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Fund based – Term loan	June 2016	11.4%	June 2026	34.39	[ICRA]D

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Beta Wind farm Private Limited	74.00%	Full Consolidation
Beta Wind farm (Andhra Pradesh) Private Limited	100.00%	Full Consolidation
Bharath Wind Farm Limited	90.00%	Full Consolidation
Clarion Wind Farm Private Limited	72.35%	Full Consolidation
Gamma Green Power Private Limited	72.5%	Full Consolidation
Orient Green Power Europe B.V.	100%	Full Consolidation
Vjetro Elektrana Crno Brdo d.o.o.	50.96%	Full Consolidation
Orient Green Power d.o.o.	64%	Full Consolidation
Orient Green Power (Maharashtra) Private Limited	100.00%	Full Consolidation
Statt Orient Energy Private Limited	90%	Full Consolidation
Amrit Environmental Technologies Private Limited	74%	Full Consolidation

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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

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