Orient Green Power Company Limited

May 31, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based -Term Loan	105.50	49.92	[ICRA]D; Reaffirmed
Fund-based - Working Capital Facilities	10.00	3.90	[ICRA]D; Reaffirmed
Total	**115.50**	**53.82**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long -term rating of [ICRA]D (pronounced ICRA D) to the Rs. 49.92-crore (reduced from Rs. 105.50-crore) term loan and the Rs.3.90-crore (reduced from Rs. 10.00-crore) fund-based facilities of Orient Green Power Company Limited(OGPL).

Rationale

The reaffirmation of rating takes into consideration continued delays in repayment of debt obligations by OGPL under its 10 MW biomass power plant in Narsingpur, Madhya Pradesh. While ICRA notes that eight biomass power plants under OGPL and its subsidiaries have been sold to Janati Bio Power Private Limited(JBPL), which is a subsidiary of SVL Limited (promoter company) with effect from September 7, 2017, the sale of the Narsingpur power plant is under progress subject to approval from secured creditors. In addition, the rating continues to take into consideration the modest debt servicing indicators of the company with sizeable debt repayment obligations.

ICRA, however, continues to take note of the established presence and a reasonable track record of operations of the company in the renewable power segment with an installed capacity of 425 MW in the wind power division. Furthermore, improved grid availability from 77% in FY2016 to 98% in FY2018 has led to increase in wind power generations in the last two years. Moreover, given that the performance of the biomass units remained sub-optimal in the last few years due to constraints on raw material availability, divestment from the biomass segment is expected to enhance the overall operational and financial risk profile of the company going forward.

Going forward, the ability of OGPL to ensure timely repayment of debt obligations by improving the performance of its wind division while ensuring timely divestment from the existing units in the biomass division will remain the key rating sensitivity.

Key rating drivers

Credit strengths

Established presence in the renewable power segment – OGPL was incorporated in the year 2006 and has an established presence in the renewable power segment with an installed capacity of 425 MW wind power projects under OGPL and its various subsidiaries. Earlier, the company also operated biomass power plants with an installed capacity of 106 MW until FY2015. However, OGPL divested from 96 MW of biomass power plants until FY2018. **Sale of 10 MW Narsingpur power plant is expected to be completed by H1 FY2019.**

Improved performance of the wind power plants aided by improved grid availability - Grid back-down was a major issue which impacted the performance of OGPL over the last few years. However, there has been a marked improvement in the grid availability in the last two years from 77% in FY2016 to 98% in FY2018. This led to an increase in generations from the wind power plants in the last two-year period.

Credit challenges

Continued delays in repayment of debt obligations – While OGPL has completely repaid the loan pertaining to Kolhapur biomass power plant post completion of its sale, there are continued delays in repayments of the Narsingpur power plant. However, sale of the same is currently under progress and is expected to be completed by July 2018.

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 has remained high at over 2.5x in the last two years owing to debt funded capacity expansion taken up over the years. The debt service coverage indicators(consolidated) of OGPL remain modest with interest coverage of 1.2 times and NCA/Total Debt of 3% for FY2018.

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

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:

Corporate Credit Rating Methodology

About the company:

Incorporated in 2006, Orient Green Power Limited (OGPL) is into renewable power generation with focus on wind and biomass power segments. As on March 31, 2018, the company had installed capacity of 425 MW of wind power plants across Tamil Nadu, Andhra Pradesh, Gujarat, Karnataka and Europe. As part of its restructuring strategy, the company is in the process of offloading biomass assets from its portfolio. OGPL is promoted by SVL Limited (Shriram Group) and is listed on both BSE and NSE.

In FY2018, at a consolidated level, the company reported a net loss of Rs. 71.43 crore on an operating income of Rs. 356.98 crore, as compared to a net loss of Rs. 95.90 crore on an operating income Rs. 379.87 crore in the previous year.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	379.87	356.98
PAT (Rs. crore)	-95.90	-71.43
OPBDIT/OI (%)	72.13%	72.30%
RoCE (%)	4.97%	6.19%
Total Debt/TNW (times)	3.42	2.87
Total Debt/OPBDIT (times)	7.45	5.98
Interest coverage (times)	1.22	1.22

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2019) Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating May 2018	Chronology of Rating History for the Past 3 Years: Date & Rating in FY2018 -	Date & Rating in FY2017 Nov-16	Date & Rating in FY2016 -
1	Term Loan 1	Long Term	7.58	7.58	**[ICRA]D**	-	[ICRA]D	-
2	Term Loan 2	Long Term	42.34	42.34	**[ICRA]D**	-	[ICRA]D	-
3	Cash Credit	Long Term	3.90		**[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	Term Loan-1	Apr-2010	NA	Jun-2018*	7.58	[ICRA]D
NA	Term Loan- 2	Jun-2016	NA	Mar-2027**	42.34	[ICRA]D
NA	Cash Credit	NA	NA	NA	3.90	[ICRA]D

Source: Orient Green Power Company Limited; * to be repaid post sale of Narsingpur Power Plant in FY2019; ** term loan serviced fully upto September 2018

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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.

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For more information, visit www.icra.in

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