November 29, 2019

Orient Green Power Company Limited: Rating reaffirmed

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based -Term Loan	49.92	34.39	[ICRA]D; Reaffirmed
Fund-based - Working Capital Facilities	3.90	0.00	-
Total	**53.82**	**34.39**	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of rating takes into consideration delays in debt servicing by Orient Green Power Company Limited (OGPL) in the recent past. ICRA, however, notes that the company has sold its 10 MW Narsingpur biomass plant and has closed the concerned term loan with the sales proceeds in November 2019. The rating further takes into consideration the modest financial risk profile of the company characterised by weak debt protection metrics and high working capital intensity.

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.

Key rating drivers

Credit strengths

Established presence in the renewable power segment – OGPL has an established presence in the renewable power segment with an installed capacity of 425 MW wind power projects.

Credit challenges

Delays in debt repayment obligations in the recent past – Loans availed for the Narsingpur biomass plant of OGPL were under NPA status until closure in November 2019. Furthermore, there have been continued delays in repayments in the loans availed at subsidiary level. However, at a standalone level, the company has prepaid debt till Q2 FY2020 using escrowed cashflows of wind power assets in one of the subsidiaries(partial assets of Clarion Wind Farm Private Limited).

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 remain high. The debt service coverage indicators(consolidated) of OGPL remain modest with interest coverage of 1.2 times and NCA/Total Debt of 4% for FY2019.

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

Liquidity position: Stretched

The liquidity position of the company is stretched as evidenced from the delay in repayment of debt obligations. At a consolidated level, the company continues to remain plagued by high interest burden and sizeable debt repayment obligations arising out of significant debt funded capex taken up in the past.

Rating sensitivities

Positive Triggers: Improved performance which would result in regularisation of debt servicing for a period of a minimum of three months could trigger an upward revision in rating.

Negative Triggers: Not applicable.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Rating is based on the consolidated financial statements of the entity

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 FY2019, at a consolidated level, the company reported a net loss of Rs. 48.64 crore on an operating income of Rs. 323.38 crore, as compared to a net loss of Rs. 71.43 crore on an operating income of Rs. 356.98 crore in the previous year.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	356.98	323.28
PAT (Rs. crore)	-71.43	-48.64
OPBDIT/OI (%)	72.30%	71.41%
RoCE (%)	6.34%	7.47%
Total Outside Liabilities/TNW (times)	3.41	3.58
Total Debt/OPBDIT (times)	5.98	6.65
Interest coverage (times)	1.22	1.20
DSCR(times)	0.34	0.91

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018	FY2017
					29-Nov-19	31-May-18	-	11-Nov-16
1	Term Loan	Long Term	34.39	34.39	[ICRA]D	[ICRA]D	-	[ICRA]D

Amount in Rs. Crore

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- 2	Jun-2016	NA	Mar-2027**	34.39	[ICRA]D

Source: Orient Green Power Company Limited; ** term loan serviced fully upto September 2020

Annexure-2: List of entities considered for consolidated analysis

The company has considered full consolidation for wholly owned subsidiaries.

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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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