

July 29, 2024

Green Infra Wind Generation Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund-based – Term loan	60.28	46.88	[ICRA]AA- (Stable); reaffirmed
Total	60.28	46.88	

*Instrument details are provided in Annexure-I

Rationale

The rating of Green Infra Wind Generation Limited (GIWGL) factors in the presence of a strong parent group as the company is a subsidiary of Sembcorp Green Infra Private Limited {SGIPL; rated [ICRA]AA+ (Stable)/[ICRA]A1; previously known as Green Infra Wind Energy Limited (GIWEL)/Green Infra Wind Energy Private Limited (GIWEPL)}, which is the renewable energy arm of the Sembcorp Group in India. SGIPL's credit profile factors in the strong credit profile of its ultimate parent, Sembcorp Industries Limited (SCI), which derives comfort from its diversified asset profile and a strong parentage with a 49.6% shareholding by Temasek Holdings (Private) Limited, rated Moody's Aaa (Stable). SGIPL remains strategically important to SCI amid its objective to grow the renewable portfolio. The credit profile of SGIPL also derives comfort from its diversified renewable power portfolio, comfortable debt coverage metrics and the presence of an experienced management and execution team at the Sembcorp Group with a proven track record.

Also, given the cross-default linkages among the entities in the co-obligor pool, i.e., GIWGL, Green Infra Wind Energy Project Limited (GIWEPL) and Green Infra Wind Power Projects Limited (GIWPPL), each SPV is expected to receive support from the other two in case of distress.

The rating favourably considers GIWGL's satisfactory operational track record since FY2022, supported by the repairs undertaken and improved maintenance activity. GIWGL's revenue visibility is supported by the power purchase agreements (PPAs) with commercial and industrial (C&I) customers under the group captive structure at competitive tariff rates, which are at a discount to the retail grid tariffs. The rating also derives comfort from the comfortable credit profile of majority of the group captive customers, with a track record of timely realisation of payments. Going forward, the debt metrics are expected to remain comfortable, supported by PPAs at remunerative rates, adequate generation performance and a competitive interest rate, which is fixed for a majority of the debt tenure.

The rating is, however, constrained by the sensitivity of the debt metrics to the generation performance, given the single part tariff under the PPA. Any adverse variation in weather conditions and equipment performance may impact the PLF levels and consequently the cash flows and debt metrics. The rating further remains constrained by the lack of lock-in period and termination payments under the existing PPAs and the risks associated with the renewal of PPAs with the C&I customers at adequate tariff rates. ICRA also takes note of GIWGL's susceptibility to regulatory risks associated with group captive norms, revision in open access charges and forecasting and scheduling norms.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that the company's cash flows are expected to be supported by the available PPAs with its captive users along with the timely receipt of payments and a satisfactory operational performance.

Key rating drivers and their description

Credit strengths

Strong parentage as the company is a part of the Sembcorp Group; support from the entities in the pool - GIWGL is a step-down subsidiary of Sembcorp Utilities Pte Limited (SUPL) through SGIPL, which is in turn held by Sembcorp Industries Limited [49.6% held by Temasek Holdings (Private) Limited; rated Aaa by Moody's]. SGIPL's credit profile is supported by its diversified renewable asset base, an experienced management and comfortable debt coverage metrics. Also, given the cross-default linkages among the entities in the co-obligor pool, i.e., GIWGL, Green Infra Wind Energy Project Limited (GIWEPL) and Green Infra Wind Power Projects Limited (GIWPPL), each SPV is expected to receive support from the other two in case of distress.

PPAs with C&I customers - The 25.5-MW capacity under GIWGL has tied up PPAs having a tenure of 3-10 years with C&I customers under the group captive structure, leading to revenue visibility. Also, majority of these customers have comfortable credit profiles, leading to low counterparty credit risk and timely payments. However, the residual tenor of these PPAs is moderate at ~4.9 years. Nevertheless, the PPAs are expected to be renewed, given the competitive tariffs offered by GIWGL in relation to the grid tariffs and the long-standing relationship with the customers.

Satisfactory generation performance - The operational track record of the 25.5-MW wind asset under GIWGL has been moderate with the actual PLF being lower than the P-90 levels over the years due to grid availability issues in Tamil Nadu till FY2016 and O&M contractor related issues owing to which the company had shifted to self O&M for the asset in FY2019. The improved maintenance activity and major repairs undertaken led to higher generation since FY2022, marked by a PLF level of 18.0% in FY2022 against 14.2% in FY2021. Further, the PLF level stood satisfactory at 17.4% in FY2024 compared to 17.9% in FY2023.

Comfortable debt coverage metrics - GIWGL's debt coverage indicators are expected to remain comfortable with the cumulative DSCR estimated to stay healthy over 1.5x, supported by a satisfactory generation performance, adequate profitability and a competitive interest rate, which is fixed till FY2028.

Credit challenges

Risks associated with renewal of PPAs at adequate tariffs - The PPAs signed by GIWGL do not have a provision for lock-in period or termination payments in case of premature termination. Further, the residual tenure of the PPAs remains moderate at 4.9 years, which is lower than the remaining debt tenure. Given the falling tariffs in the renewable energy sector, the ability of the asset to renew the PPAs with the C&I customers at adequate tariff rates remains important.

Sensitivity of debt metrics to energy generation - The debt metrics for the wind power asset remain sensitive to the PLF levels, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or machine performance may impact the PLF and consequently the cash flows. The geographic concentration of the asset in Tamil Nadu amplifies the generation risk.

Regulatory challenges - The company's operations are exposed to regulatory risks pertaining to group captive norms, revision in open access charges and scheduling & forecasting requirements of wind power projects. As the open access charges are borne by GIWGL under most of the PPAs, any increase in these charges and losses may impact its profitability. Also, any reduction in the banking period or increase in banking charges may impact the operations. Further, any revision of the shareholding norms for group captive projects could adversely impact the operations of GIWGL.

Liquidity position: Adequate

GIWGL's liquidity remains adequate, marked by sufficient cash flows from operations in relation to the debt servicing requirements, along with the presence of free cash balances. The company is expected to generate cash flows from operations of over Rs. 7.5 crore against annual debt repayments of ~Rs. 6.7 crore over FY2025-FY2026. While the lenders have exempted the company from maintaining a debt service reserve account (DSRA), it is expected to maintain sufficient cash balances to meet the debt servicing obligations and O&M expenses. The company had free cash and liquid investments of ~Rs. 2.9 crore as of March 2024.

Rating sensitivities

Positive factors – A satisfactory operational performance of the asset on a sustained basis and renewal of PPAs at remunerative tariffs, leading to an improvement in the debt coverage indicators, could lead to a rating upgrade. Also, the rating would remain sensitive to the credit profile of the parent (SGIPL) and the pool.

Negative factors – Pressure on the rating could emerge if the generation performance deteriorates or the company is unable to renew the PPAs, adversely impacting the debt coverage metrics. Also, a deterioration in the payment cycle from the counterparties on a sustained basis adversely impacting the liquidity profile is another negative factor. A specific credit metric for downgrade is the cumulative DSCR falling below 1.20x. Also, the rating would remain sensitive to the credit profile of the parent (SGIPL) and the pool.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Wind
Parent/Group support	<p>The rating assigned to GIWGL factors in the cross-default linkages with GIWEPL and GIWPPL. Also, the rating factors in the implicit support from Group holding company, SGIPL, with support expected to be forthcoming in case of any cash flow mismatch.</p> <p>The rating for GIWGL has been arrived at by following the analytical steps as given below:</p> <ol style="list-style-type: none"> 1. An assessment of the standalone credit profile of GIWGL. 2. An assessment of the Group's credit profile by undertaking a consolidated assessment of the three SPVs in view of the cross-default linkages among them, and then further notching up the Group's notional rating based on expectations of implicit support from the Group's holding company, SGIPL. 3. The final rating for the bank facility of GIWGL is arrived at by suitably notching up the standalone rating after duly considering the Group's rating and the linkages between the standalone entity and the Group
Consolidation/Standalone	Standalone

About the company

GIWGL is a special purpose vehicle (SPV) promoted by SGIPL. The company has set up a 25.5-MW wind power plant at Theni in Tamil Nadu which was commissioned in March 2012. It has signed PPAs with group captive consumers, who hold 29.5% of the shareholding of the company, as required under the group captive norms. The balance 70.5% shareholding is held by SGIPL as of May 2024.

Key financial indicators (audited)

GIWGL	FY2022	FY2023	FY2024*
Operating income	25.4	27.3	26.1
PAT	17.1	24.7	(22.2)
OPBDIT/OI	70.7%	69.1%	62.1%
PAT/OI	67.3%	90.4%	-85.1%
Total outside liabilities/Tangible net worth (times)	-6.84	10.5	-7.2
Total debt/OPBDIT (times)	6.53	4.7	6.6
Interest coverage (times)	2.32	2.7	2.4

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

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 (FY2025)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			Jul 29, 2024	Apr 10, 2023	Sep 09, 2022*	Jun 18, 2021
1 Long term - Fund based - Term loan	Long term	46.88	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)	[ICRA]A+(CE) (Stable)

* [ICRA]A+(CE) (Stable) withdrawn; [ICRA]A+ (Stable) assigned simultaneously

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based - Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	May 2017	-	FY2032	46.88	[ICRA]AA- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis - Not applicable

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