July 29, 2024

Green Infra Wind Farms 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	55.95	45.38	[ICRA]A+ (Stable); reaffirmed
Long Term - Unallocated limits	5.00	0.00	-
Total	**60.95**	**45.38**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of the rating on the bank lines of Green Infra Wind Farms Limited (GIWFL) 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.

The rating takes comfort from the long operational track record of the 24.0-MW wind power project of the company since commissioning in June 2009. The rating also takes into account the mitigation of offtake and pricing risks to a certain extent as the company has signed power purchase agreements (PPAs) with multiple commercial & industrial users (GCUs) under the group captive policy at a discount to the prevailing grid tariff rates. The rating further takes into account the timely payments by the GCUs so far and the long relationship between GIWFL and many of its GCUs. Further, the rating factors in the company's adequate liquidity position, evident from the sufficient free cash on its books and a debt service reserve account (DSRA) for one quarter of debt servicing.

The rating is, however, constrained by the renewal risks associated with the PPAs at adequate tariffs, considering the limited residual tenure of 4.6 years and competition from new renewable projects offering lower tariffs. Nonetheless, comfort is drawn from the past track record of the company in renewing the PPAs in a timely manner. The rating is also constrained by the risks that are typical to all wind power projects, including the vulnerability to weather conditions, given that the revenues are linked to the actual units generated and exported. Moreover, the generation risk is amplified by the geographic concentration of the wind power project of GIWFL in Tamil Nadu. The performance of the asset has remained below the P-90 estimate in most of the years.

Further, the rating remains constrained by the company's leveraged capital structure and moderate debt coverage indicators. GIWFL is also exposed to regulatory risks associated with the adverse changes in group captive norms, revision in banking norms and increase in transmission and wheeling charges/losses.

The Stable outlook on the [ICRA]A+ 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 generation performance.

Key rating drivers and their description

Credit strengths

Strong parentage of Sembcorp Group - GIWFL 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.

Long track record of operations - The 24.0-MW wind power plant of GIWFL has been operational since June 2009 and has more than 15 years of operational track record. The generation performance has remained strong in the initial years of operations, till FY2013. However, from FY2014 to FY2016, there were grid availability-related challenges in Tamil Nadu, which led to weaker than P-90 generation for the project. The generation in FY2017 and FY2018 was higher than the P-90 PLF estimates. However, the generation over FY2019-FY2022 was below the P-90 level. The generation in FY2023 improved and stood above the P-90 level due to better wind season. However, it declined again to the below P-90 level in FY2024 owing to lower wind resource availability in the region. The ability of the company to demonstrate satisfactory generation in line with or higher than the P-90 PLF estimates is critical as the revenues are directly linked to the actual generation.

PPAs with group captive consumers at a discount to grid tariff; timely payments by customers - GIWFL has signed power purchase agreements (PPAs) with various commercial and industrial consumers under the group captive policy. The PPAs have been signed for the entire generation (at P-90 estimates) at competitive tariffs, which mitigate the offtake and price risks to some extent. The strong credit quality of the counterparties is reflected in the timely payments since COD. The same is evident from the company's low receivable days. The debtor days stood at 10 days as on March 31, 2024 (provisional financials) compared to 18 days as on March 31, 2023 and 24 days as on March 31, 2022.

Credit challenges

Risks associated with renewal of PPAs at adequate tariffs - The company faces renewal risks associated with the PPAs, considering the limited weighted average residual tenure of 4.6 years against a slightly longer remaining debt repayment tenure. Moreover, the tariffs under the group captive PPAs tied up by GIWFL remain higher than recent solar and wind tariffs offered by developers. However, GIWFL's tariffs remain competitive from a captive user's perspective as the PPA tariff is at a discount to the grid tariffs for the respective captive users. The risk is also mitigated to some extent by the long-term relationship of the company with the GCUs and the demonstrated ability to renew these PPAs in the past.

Seasonal nature of operations and unpredictable PLFs for wind power projects - The revenues and cash flows of the company are linked to generation from the 24.0-MW wind power project, considering the single part nature of the tariff under the PPAs. Any variability in weather conditions would impact the cash flow. The risk is mitigated to some extent by the long operational track record of the project.

Moderate debt coverage metrics - The company's debt metrics remain moderate, given the large repayments over the next few years. Notwithstanding this, the recent reduction in interest rate will improve the debt coverage metrics to an extent.

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

Liquidity position: Adequate

The liquidity profile of GIWFL is adequate with the cash flows from operations and available liquidity expected to be sufficient to meet the debt servicing requirements over FY2025-FY2026. The company had free cash and liquid investments of ~Rs. 4.0 crore as of March 2024 and was maintaining DSRA of Rs 4.5 crore equivalent to one quarter of debt servicing.

Rating sensitivities

Positive factors - A satisfactory generation track record in line with the P-75 PLF estimates 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, i.e., SGIPL.

Negative factors - Pressure on the rating could emerge if the generation performance deteriorates or the company is unable to renew the PPAs at remunerative tariff rates, adversely impacting the debt coverage metrics. Also, deterioration in the payment cycle from the counterparties on a sustained basis adversely impacting the liquidity profile is another negative factor. The rating remains sensitive to the credit profile of SGIPL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Wind
Parent/Group support	Parent Company – Sembcorp Green Infra Private Limited / Sembcorp Utilities Pte Ltd Rating is based on implicit support from parent company/Group which is expected to extend support in case of cash flow mismatches
Consolidation/Standalone	The rating is based on the standalone financials of the company

About the company

GIWFL is a wholly-owned subsidiary of SGIPL (a step-down subsidiary of Sembcorp Industries Limited through SUPL) and is operating a 24-MW wind power plant in Tamil Nadu under the group captive scheme. As on March 31, 2024, SGIPL had an equity shareholding of 68.43% in GIWFL with the balance held by the group captive consumers. The wind turbines were supplied by Suzlon, which is the O&M contractor as well. The power is supplied to commercial and industrial (C&I) customers under the group captive mode.

Key financial indicators (audited)

GIWFL Standalone	FY2022	FY2023	FY2024*
Operating income	23.9	25.6	25.3
PAT	14.2	22.4	(7.9)
OPBDIT/OI	64.9%	58.5%	52.8%
PAT/OI	59.3%	87.4%	-31.1%
Total outside liabilities/Tangible net worth (times)	9.4	2.4	3.4
Total debt/OPBDIT (times)	5.8	4.5	5.5
Interest coverage (times)	2.2	2.6	2.5

*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	Dec 30, 2022	Sep 14, 2021
1	**Term loan**	Long term	45.38	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**
2	**Unallocated limits**	Long term	0.00	-	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**

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**	Feb-2019	-	FY2029	45.38	[ICRA]A+ (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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