

March 27, 2020

Green Infra Wind Power Projects Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund based- term loan	74.0	74.0	[ICRA]A+(CE)(Stable); Reaffirmed
Total	74.0	74.0	

*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement	[ICRA]A+
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Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. The change in suffix is not to be construed as a change in rating. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

ICRA's rating action factors in the presence of the co-obligor arrangement between three Sembcorp group wind power special purpose vehicles (SPVs) – GIWPPL, Green Infra Wind Energy Project Ltd (GIWEPL) and Green Infra Wind Generation Ltd (GIWGL) – which are jointly responsible for servicing of the total debt, wherein any shortfall in meeting the debt obligation by any of the SPVs shall be met through surplus cash flows from the other SPVs in the structure. While each of the SPVs has raised debt on its own and has a separate trust and retention account (TRA), they are jointly responsible for servicing the total interest and repayment obligation across the three SPVs.

The rating action takes into consideration the presence of a strong sponsor as three entities namely GIWPPL, GIWWPL and GIWGL are part of Sembcorp group and stepdown subsidiary of Sembcorp Industries Pte Limited (Sembcorp) which is ~49.5% held by Temasek Holdings Pvt Ltd (rated AAA by Moody's). The companies within the Sembcorp Group are managed by a team of experienced technocrats and investment/finance professionals which have a long track record of project execution. The wind power projects of GIWPPL, GIWGL and GIWEPL with total operational capacity of 67.5 MW are spread across Tamil Nadu and Maharashtra leading to geographical and asset diversification. The PPA for 18.0 MW wind power project of GIWEPL is signed with Maharashtra State Electricity Distribution Company Limited (MSEDCL) for a period of 13 years from COD (June 2013) while PPAs for GIWGL and GIWEPL are signed with group captive consumers for a period of 10 years which provide revenue visibility and also result in counter party diversification. The operational track record of the three wind power projects is satisfactory although the same is lower than P90 PLF estimates due to grid constraints in Tamil Nadu prior to FY2016 and O&M contractor related issues in last 2-3 years. The group has taken over O&M for wind power projects of GIWGL and GIWPPL which has improved the generation performance in FY2019 and 9M FY2020 on y-o-y basis although lower than P90 PLF estimates. Moreover, the liquidity of the three entities on consolidated basis is satisfactory as evident from cash and liquid investments of Rs 35.79 crore as on February 29, 2020 including DSRA of Rs 9.95 crore.

The ratings are however constrained by the seasonal nature of operation and unpredictability in PLFs in case of wind power projects as the revenue is linked to actual generation considering single part nature of tariff. The ratings are also constrained by moderate counter party credit risk profile of MSEDCL as evident from delay in payments in the past although payments have improved in recent past. ICRA notes that 24.0 MW of GIWPPL and 25.5 MW of GIWGL which

have PPAs with group captive consumers are exposed to regulatory risks including proposed norms for normative equity required / ownership criterion, the changes in transmission and wheeling charges and losses and changes in banking norms. Moreover, the group captive based capacities remains exposed to tariff risk at the time of PPA renewal, given the competitive intensity in group captive business segment from other renewable sources & limited lock-in / PPA tariff periods in place. While the group has opted for self O&M for 25.5 MW capacity of GIWGL and 24.0 MW capacity of GIWPPL (73% of capacity under co-obligor), the ability to ensure the machine availability and keep the O&M cost within the budgeted levels also remain important from credit perspective. Given the single part & fixed nature of tariff for the portfolio, the operations for the portfolio remains exposed to interest rate risk. The entities are also exposed to regulatory risk arising from the implementation of scheduling and forecasting norms for wind power projects in Maharashtra and Tamil Nadu, given the variable nature of wind energy generation.

The Stable outlook on the [ICRA]A+(CE) rating reflects ICRA's opinion that entities under co-obligor arrangement will continue to benefit from presence of strong parent, satisfactory generation track record of the entities, presence of long term PPAs for the projects of the three entities and timely payments from counter parties.

Adequacy of credit enhancement

The rating of the instrument is based on presence of co-obligor arrangement between GIWPPL, GIWEPL and GIWGL. All the three SPVs are jointly responsible for servicing the total debt, wherein any shortfall in meeting the debt obligation by any of the SPVs shall be met through surplus cash flows from other SPVs in the co-obligor arrangement. However, the rating is supported by a form of support, without a well-defined payment mechanism.

Salient covenants related to the transaction structure

- » *Facility of each Borrower provided by its respective Lenders is to be treated distinctly. Accordingly, each transaction has separate Facility, Lenders, Loan Agreements, Escrow Accounts, Trust and Retention Account (TRA) and associated sub-accounts, Debt Service Accounts and residual cash-flows – distinctly defined.*
- » *In the event the amount standing to the credit of the Trust and Retention Account (TRA) of any one Facility is insufficient to meet and discharge the Debt Service Payments, the Residual Cash of the other Facility shall be utilized to discharge the shortfall*
- » *TRA accounts of either Borrower shall not be closed unless Final Settlement Date is achieved under both Facilities.*
- » *A debt service reserve of next one quarter of debt service to be maintained at all times. All three entities to have separate DSRA either in form of funded reserve or LoC/BG without recourse to the project assets Lead bank/ Lender's Agent to monitor all three debt service accounts and issue timely notice to Escrow Bank of respective facility (if required in case of shortfall) to ensure that the debt obligations are met at an aggregate level .*
- » *There is no debt outstanding in any of the three entities apart from the mentioned Facilities and further no external debt can be raised without lender's consent.*
- » *In case rating fall below BBB-, the same is an EoD and the debt can be accelerated. However, cross-default clause is only on loans of each Borrower and not across the 3 Borrowers. Ex if Borrower A's rating goes below BBB-, Borrower A's loan can be accelerated considering EoD. However, the same would not trigger cross-default on Borrower B or C*

Key rating drivers and their description

Credit strengths

Strong parentage as companies are part of Sembcorp group- The companies in co-obligor arrangement namely GIWPPL, GIWGL and GIWEPL are promoted with SGIL (rated [ICRA]AA-(Positive)/A1+), holding company of renewable assets of www.icra.in

Sembcorp group. SGIL is a subsidiary of Sembcorp Energy India Limited ([ICRA]A1+) and ultimately owned by Sembcorp Utilities Pte Ltd. Sembcorp Utilities Pte Limited which is 49.5% owned by Temasek Holdings Private Limited (Moody AAA). The companies within the Sembcorp Group are managed by a team of experienced technocrats and investment/finance professionals which have a long track record of project execution. The group has installed renewable energy capacity base of more than 1656.2 MW in India including partially commissioned capacity of one under construction project.

Co-obligor structure leads to geographical, asset and counter party diversification- The wind power projects of GIWPPL, GIWGL and GIWEPL with total operational capacity of 67.5 MW are spread across Tamil Nadu and Maharashtra leading to geographical and asset diversification. The PPA for 18.0 MW wind power project of GIWEPL is signed with Maharashtra State Electricity Distribution Company Limited (MSEDCL) while PPAs for GIWGL and GIWEPL are signed with group captive consumers leading to counter party diversification.

Presence of long term power purchase agreements (PPAs) mitigates offtake risk and price risk to some extent- The 18.0 MW wind power project of GIWEPL has 13 year PPA with MSEDCL at Rs 5.81/kWh from COD (June 2013) while 25.5 MW wind power project of GIWGL and 24.0 MW wind power project of GIWPPL in Tamil Nadu has 10 year PPA with group captive consumers. However, the debt tenor is longer than PPA tenor. Ability of the companies to renew PPAs at remunerative tariff shall be critical.

Operational nature and satisfactory generation track record of projects under co-obligor structure- Wind power projects of GIWGL, GIWEPL and GIWPPL are operational since March 2012, June 2013 and May 2012 respectively. The generation track record of GIWEPL has been higher than P90 PLF estimates although the generation track record for GIWGL and GIWPPL has been moderate on account of grid constraints in Tamil Nadu prior to FY2016 and O&M contractor related issues in last 2-3 years. However, the group has opted for self O&M for GIWGL and GIWPPL with improvement in generation on y-o-y basis.

Presence of DSRA for each company supports liquidity- Each entity under co-obligor arrangement maintains DSRA for one quarter of debt servicing which supports liquidity of these entities apart from presence of unencumbered cash and liquid investments. GIWGL, GIWEPL and GIWPPL had cash and liquid investments of Rs 35.79 crore as on February 29, 2020 including DSRA of Rs 9.95 crore.

Credit challenges

Risks associated with seasonal nature of operation and unpredictability in PLFs in case of wind power projects- The revenue of the companies under co-obligor arrangement is linked to actual generation single part nature of tariff as per PPAs and any variability in weather conditions may impact the same. The risk is mitigated to some extent by three wind power projects spread across two states and the operational track record of the projects.

Counter party credit risk associated with MSEDCL- The PPAs for GIWGL and GIWPPL are signed with group captive consumers which have moderate to strong financial profile. The payments from group captive consumers of these two companies have been timely. However, the exposure to MSEDCL for 18.0 MW wind power project of GIWEPL results in counter party credit risk due to moderate financial profile of MSEDCL as evident from delay in payments in the past although the payments in FY2019 had improved leading to improvement in liquidity.

Regulatory risk associated with group captive norms- Regulatory risk associated with group captive consumers include the proposed norms for normative equity instead of existing structure wherein equity contribution is primarily in form of preference shares by SGIL. Moreover, most of the PPAs have wheeling and transmission charges and losses in scope of

the developer. Any increase in these charges and losses may impact profitability of the companies ie GIWGL and GIWPPL. Any reduction in the banking period or increase in banking charges by TNERC may also impact these two entities.

Moderate tariff competitiveness of group captive PPAs as compared to recent solar and wind tariffs- The tariffs as per PPAs signed with group captive consumers for 25.5 MW wind power project of GIWGL and 24.0 MW wind power project of GIWPPL is limited as compared to sub Rs 3/kWh tariffs discovered in recent solar and wind bids. Hence, ability of the companies ie GIWGL and GIWPPL to renew PPA with group captive consumers at remunerative tariff remains critical since PPA duration is lower than debt tenor.

Liquidity position

The liquidity position of co-obligor entities namely GIWGL, GIWEPL and GIWPPL on consolidated basis is **Adequate**. The generation from projects has been moderate although the payment from counter parties namely group captive consumers has been timely and payments from MSEDCL has improved on y-o-y basis. The presence of DSRA for 1 quarter of debt servicing and unencumbered cash supports the liquidity. The cash and liquid investments on consolidated basis for GIWGL, GIWPPL and GIWEPL was Rs 35.79 crore as on February 29, 2020 including DSRA of Rs 9.95 crore.

Rating sensitivities

Positive triggers: Satisfactory operational performance of the projects under co-obligor structure and/or timely payment from MSEDCL for GIWEPL on sustained basis and/or material improvement in debt coverage indicators and/or renewal of PPAs at current or higher tariffs leading to improvement in financial profile

Negative triggers: Moderate operational performance of the projects under co-obligor structure on sustained basis and/or deterioration in payment cycle from counter parties on sustained basis with debtor days for group captive consumers higher than 90 days and debtor das for GIWEPL higher than 180 days and/or material deterioration in debt coverage indicators on sustained basis and/or material decline in PPA tariff upon renewal and/or weakening of credit profile of Sembcorp Green Infra Limited and/or weakening of linkages with Sembcorp Green Infra Limited

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers Approach for rating debt instruments supported by structural features (Non-securitized transactions)
Parent/Group Support	Parent/Group Company: Sembcorp Green Infra Limited/ Sembcorp Group The support from the parent group is implicit and ICRA expects the group to support the company in case of cash flow mismatches if any
Consolidation/Standalone	The rating is based on consolidated financials of the companies detailed in Annexure 2

About the company

GIWPPL is a Special Purpose Vehicle (SPV) promoted by Sembcorp Green Infra Ltd. (SGIL). The company has set up a 24.0 MW wind power plant in Theni in Tamil Nadu which was commissioned in May 2012. The company has signed PPAs with group captive consumers. The income from sale of wind power is supplemented by REC income. 30.9% of the shareholding of the company is held by group captive customers and balance 69.1% by SGIL.

In FY2019, the company reported a profit after tax of Rs. 6.7 crore on an operating income of Rs. 26.5 crore compared to a profit after tax of Rs. 9.3 crore on an operating income of Rs. 34.1 crore in FY2018.

Key financial indicators- Standalone for GIWPPL (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	34.1	26.5
PAT (Rs. crore)	9.3	6.7
OPBDIT/OI (%)	77.9%	71.9%
RoCE (%)	14.5%	11.5%
Total Outside Liabilities/Tangible Net Worth (times)	5.83	4.07
Total Debt/OPBDIT (times)	4.33	5.69
Interest Coverage (times)	3.90	3.00
DSCR	2.18	1.69

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)			Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding as on March 31, 2019	Rating	FY2019	FY2018	FY2017
					27-Mar-2020	28-Dec-2018	03-Oct-2017	02-Dec-2016
1	Long term fund based term loan	Long Term	74.0	63.5	[ICRA]A+ (CE) (Stable)	[ICRA]A+(SO) (Stable)	[ICRA]A+(SO) (Stable)	[ICRA]BBB(Stable)

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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term fund based term loan	March 2017	NA	March 2029	74.0	[ICRA]A+(CE)(Stable)

Source: ABC Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Green Infra Wind Power Projects Limited	100.00%	Full Consolidation
Green Infra Wind Generation Limited	100.00%	Full Consolidation
Green Infra Wind Energy Project Limited	100.00%	Full Consolidation

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