

April 19, 2022

Orient Green Power Company Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based term loan	34.39	26.79	[ICRA]D; reaffirmed
Total	34.39	26.79	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the rating takes into consideration the delays in servicing the debt obligations guaranteed by Orient Green Power Company Limited (OGPCL). While ICRA notes that OGPCL is servicing the debt on its standalone balance sheet in a timely manner, there have been delays in servicing the debt guaranteed by OGPCL to its subsidiaries, which hold the wind power assets. The credit profile of the company is constrained by the subdued operating performance of the wind assets under its subsidiaries, coupled with delays in receiving payments for the capacity exposed to distribution utilities (discoms) in Andhra Pradesh (AP). While the recent directive by the High Court of Andhra Pradesh (AP) issued on March 15, 2022, ordering state discoms to honour the terms of the power purchase agreements (PPA) signed with the wind & solar power developers and clear the pending payments is a positive development for the affected developers, the timely implementation of the same remains to be seen.

The rating further takes into consideration the company's modest financial risk profile, characterised by weak debt protection metrics and a leveraged capital structure. The rating also remains constrained by the vulnerability of cash flows to the variation in wind power density, given the single part tariff under the power purchase agreements (PPAs). ICRA, however, continues to take note of the established presence and the reasonable track record of the company's operations in the renewable power segment, with an installed capacity of 417 MW in the wind power division, having PPAs with state distribution utilities and industrial customers.

Key rating drivers and their description

Credit strengths

Established presence in renewable power segment – OGPCL has an established presence in the renewable power segment, with an installed operational capacity of 417 MW wind power projects.

Credit challenges

Delays in guaranteed debt repayment obligations – There have been continued instances of delays in servicing the debt guaranteed by OGPCL for its SPVs. The credit profile of the company is constrained by the subdued operating performance of the wind assets under its subsidiaries coupled with delays in receiving payments from discoms and customers, leading to cashflow mismatch. However, at a standalone level, the debt servicing by OGPCL is on time.

Financial profile characterized 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 DSCR of 0.7 times for FY2021.

Cash flows vulnerable to variation in wind speed - Variability in wind speed may affect PLF levels and actual electricity generation, thereby leading to volatility in revenues and cash flows.

Liquidity position: Poor

The liquidity of the company remains poor as reflected in the delays in repayment of debt obligation guaranteed by the company. The liquidity position at the consolidated level is constrained by high interest burden and sizeable debt repayment obligations. Further, subdued operating performance coupled with delays in receiving payments from AP discom has led to cash flow mismatch and delays in debt servicing. While the recent directive by the Andhra Pradesh (AP) High Court on March 15, 2022 ordering state discoms to honour the terms of the PPAs and clear the pending payments is a positive, the timely implementation of the same remains to be seen.

Rating sensitivities

Positive factors – An improved liquidity position enabling the company to regularise debt servicing on a sustained basis could prompt an upward rating revision.

Negative factors – Not applicable.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers Policy On Default Recognition
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated business and financial profile of the company.

About the company

OGPCL, incorporated in 2006, is into renewable power generation with focus on wind and biomass power segments. As on March 31, 2021, the company had an installed capacity of 417 MW of wind power plants across Tamil Nadu, Andhra Pradesh, Gujarat, Karnataka and Europe. OGPCL is promoted by SVL Limited (Shriram Group) and is listed on both the BSE and the NSE.

Key financial indicators (audited)

OGPCL Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	369.0	256.8
PAT (Rs. crore)	19.9	-57.0
OPBDIT/OI (%)	72.9%	63.9%
PAT/OI (%)	5.4%	-22.2%
Total Outside Liabilities/Tangible Net Worth (times)	3.2	3.2
Total Debt/OPBDIT (times)	5.2	8.2
Interest Coverage (times)	1.8	1.2

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 (FY2023)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on April 08, 2022 (Rs. crore)	Date & Rating on	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					April 19, 2022	-	Feb 22, 2021	Nov 29, 2019
1	Fund-based term loan*	Long-term	26.79	26.7	[ICRA]D	-	[ICRA]D	[ICRA]D

*Instrument details are provided in Annexure-1

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: 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
-	Fund based- Term Loan	June 2016	-	June 2026	26.79	[ICRA]D

Source: Company

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

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Beta Wind farm Private Limited	74.00%	Full Consolidation
Beta Wind farm (Andhra Pradesh) Private Limited	100.00%	Full Consolidation
Bharath Wind Farm Limited	100.00%	Full Consolidation
Clarion Wind Farm Private Limited	72.35%	Full Consolidation
Gamma Green Power Private Limited	72.50%	Full Consolidation
Orient Green Power Europe B.V.	100%	Full Consolidation
Vjetro Elektrana Crno Brdo d.o.o.	50.96%	Full Consolidation
Orient Green Power d.o.o.	64%	Full Consolidation
Orient Green Power (Maharashtra) Private Limited	100.00%	Full Consolidation
Statt Orient Energy Private Limited	90.00%	Full Consolidation
Amrit Environmental Technologies Private Limited	74.00%	Full Consolidation

Source: Company annual report as on March 31, 2021

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