

January 31, 2023

Green Infra Wind Energy Limited: Long-term rating upgraded and short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper (CP)	500.00	500.00	[ICRA]A1+; reaffirmed
Long Term – Fund based limits	100.00	100.00	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable)
Long Term/Short-term – Fund based / Non-Fund based limits	200.00	200.00	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable) [ICRA]A1+ reaffirmed
Long Term/Short-term – Non-Fund based limits	200.00	200.00	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable) [ICRA]A1+ reaffirmed
Total	1,000.00	1,000.00	

*Instrument details are provided in Annexure-1

Rationale

ICRA's upgrade of the long-term rating assigned to Green Infra Wind Energy Limited (GIWEL) factors in the improvement in the credit profile of its ultimate parent, Sembcorp Industries Limited (SCI) supported by improved demand for energy in its operating markets and increasing share of renewables in its portfolio. The credit profile of Sembcorp Industries Pte Limited draws comfort from its diversified asset profile and strong parentage with a 49% shareholding by Temasek Holdings (Private) Limited (rated Moody's Aaa (Stable)). GIWEL remains strategically important to SCI amid its objective to grow the renewable portfolio. Further, ICRA takes note of the petition filed before the National Company Law Tribunal (NCLT) to merge GIWEL's parent Sembcorp Green Infra Limited (SGIL) with itself, which will make GIWEL, the holding company for the renewable platform of the Sembcorp Group in India. This merger is being undertaken, as GIWEL remains the main vehicle for renewable investments for the Sembcorp Group in India. The stated merger is a credit neutral event for GIWEL, as it already holds majority of the Group's renewable assets in India on its books and through its subsidiaries.

ICRA takes note of the completion of the acquisition of the Vector Green Energy Private Limited (VGEPL) in January 2023, which in turn has improved the asset diversity of the group with the share of solar assets increasing to 24% of the operating portfolio from 2% earlier. VGEPL has a portfolio of 583 MW solar and wind assets. The equity consideration for the acquisition of Rs. 2,780 crore was funded through a mix of equity infusion from SCI, available cash balances and a short-term loan. With this acquisition, the overall renewable portfolio of the Group stands at over 3.0 GW, comprising operating capacity of 2.25 GW and the balance being under-development capacity. Within the 2.25 GW, 1.7 GW is currently under GIWEL, and the balance is under other SPVs of SGIL.

Further, ICRA takes note of the favourable refinancing undertaken by the Group for the various project debt facilities, with debt backed by guarantee from Sembcorp Utilities Pte Limited (SUPL; a wholly owned subsidiary of SCI), the holding company of SGIL, reducing the interest rates. Further, the company's leverage level has reduced with the ongoing repayment of the debt obligations. These factors are expected to improve the debt coverage metrics for the Group at a consolidated level, going forward.

ICRA continues to factor in the presence of long-term power purchase agreements (PPAs) for ~93% of the Group's operating portfolio at fixed tariffs with state distribution utilities and central intermediaries like Solar Energy Corporation of India Limited (SECI, [ICRA]AAA (Stable)/[ICRA]A1+), NTPC Limited ([ICRA]AAA (Stable)/[ICRA]A1+) and PTC India Limited (PTC; [ICRA]A1+), providing visibility on revenues. ICRA favourably takes note of the presence of central counterparties for a majority of the portfolio including the Vector Green portfolio and competitive tariffs offered by projects contracted with SECI & PTC. The generation performance of GIWEL's projects improved in FY2022 on a year-on-year (Y-o-Y) basis, led by an improved wind season and commissioning of new assets with higher PLF. The generation in 9M FY2023, remained largely similar to 9M FY2022.

However, the ratings are constrained by the vulnerability of the company's revenues and cash flows to seasonality and variation in wind and solar power generation owing to weather conditions. This is because the revenues are linked to the actual generation as the PPA tariff is single-part in nature. Demonstration of generation in line with the P90 estimate remains a key monitorable for the company.

Also, the ratings are, constrained by the execution risks associated with the under-development capacity including 400-MW solar power project and 180-MW wind power project contracted with SECI, 164 MW RE projects contracted with commercial & industrial (C&I) customers, 50-MW wind asset won under a tender from the Indian Railways and another 64-MW solar asset in Gujarat acquired as part of the Vector Green portfolio. Any delays in the execution of these projects could lead to cost escalation, attract liquidated damages from customers and impact the tariff viability. The ratings are also constrained by counter party credit risks pertaining to the exposure to state distribution utilities (discoms) with modest financial profile for 36% of the Group's portfolio, as evident from payment delays in the past. However, the group is realizing the overdue payments from the discoms through instalments, following the notification of the late payment surcharge rules by Ministry of Power (MoP), Government of India.

The company remains exposed to regulatory risks associated with the implementation of scheduling and forecasting norms for the underlying SPV subsidiaries and risk of adverse amendments to captive policy for the Group captive projects. Further, the ratings are constrained by refinancing risk associated with bullet repayments for some of the loan facilities with relatively shorter tenor, which is mitigated by the strong financial flexibility of the Sembcorp Group and the long residual tenure of the PPAs. Nonetheless, the company remains exposed to interest rate movement at the time of refinancing.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's business profile on an overall basis would benefit from the operational status of majority of the portfolio with a satisfactory track record, asset diversity, the availability of long term PPAs and an adequate liquidity position.

Key rating drivers and their description

Credit strengths

Presence of a strong sponsor and experienced management team - GIWEL is a step-down subsidiary of SCI through SUPL. The credit profile of SCI is supported by its improving performance with the revival in demand for energy in its operating markets and the growing share of renewables in its portfolio. SCI is ~49.5% held by Temasek Holdings (Private) Limited [rated Aaa (Stable) by Moody's]. The companies within the Sembcorp Group are managed by a team of experienced technocrats and finance professionals, who have a long track record of project execution and operations. GIWEL remains strategically important to the Sembcorp Group amid its objective to grow the renewable portfolio. SUPL has demonstrated its support to GIWEL through equity infusion for growth, including recently for the acquisition of Vector Green portfolio and providing guarantees to raise debt at a highly competitive rate.

Long term PPAs limit demand risks – The availability of long-term PPAs for majority of the portfolio at fixed tariffs with central intermediaries and state distribution utilities, limits demand and tariff risks, thereby providing revenue visibility. The PPAs

signed with central nodal intermediary agencies are superior by virtue of a strong payment security mechanism including safeguards like the tripartite agreement available with SECI and NTPC.

Well diversified asset base across multiple states; presence of strong counterparties for a majority of portfolio a credit positive - The overall renewable portfolio of the Group stands at over 3.0 GW, comprising operating capacity of 2.25 GW and the balance being under-development capacity, spread over 10 states, which results in geographic and counter party diversification. The acquisition of the Vector Green portfolio has improved the asset diversity with the share of solar assets increasing to 24% of the operating portfolio from 2% earlier. Also, the presence of majority of PPAs with central counterparties, discoms in Gujarat and strong C&I consumers partly mitigates the counterparty credit risks.

Superior tariff competitiveness for projects won through competitive bidding - The tariff competitiveness of the three operating wind power projects aggregating to 802 MW won under the SECI auctions remains high with weighted average bid tariff of Rs. 2.8 per unit. Further, GIWEL won a 400-MW solar power project at a tariff of Rs 2.0/kWh in a bidding conducted by SECI in November 2020. Also, the company won a 180-MW wind power project under SECI's 1.2 GW ISTS Tranche XI tender in September 2021 at a tariff of Rs. 2.69 per unit. While the wind and solar energy generation has a must-run status, the superior tariff competitiveness mitigates the risk of grid curtailment.

Healthy debt coverage metrics – The refinancing of majority of the Group debt using the guarantee from SUPL has led to a reduction in interest rates for the portfolio. Also, the ongoing repayment of the debt obligations has led to moderation in the leverage level for the operating portfolio. These factors are expected to result in healthy debt coverage metrics for the Group, going forward.

Credit challenges

Vulnerability to weather conditions affecting wind & solar generation - For wind and solar power plants, the revenue and cash flows are directly linked to the generation, as the tariff under the PPAs is single part in nature. As a result, the projects remain exposed to wind conditions and the irradiation levels at the sites. The risk is, however, mitigated to some extent by the operational track record of the projects, with majority of the assets having a track record of more than three years. The demonstration of performance in line or above the P90 estimate remains important to improve the credit metrics and achieve the desired return indicators. Further, a large portion of the wind portfolio is managed under self O&M by the group, wherein ensuring adequate machine availability remains important.

Credit risks arising out of exposure to state utilities - The counterparty profile of Sembcorp's portfolio includes exposure to central counterparties, C&I customers and state distribution utilities, including those of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Telangana. Given the modest credit profile of most of the state discoms, there are delays in receiving payments, especially from the discoms in Andhra Pradesh, Madhya Pradesh, Maharashtra, Rajasthan, and Telangana, accounting for ~36% of the overall portfolio. This is partly offset by the timely payments from the central counterparties, the state utilities of Gujarat and C&I customers. Also, the Group is realising the overdue payments from the discoms through instalments, following the notification of the late payment surcharge rules by the MoP in June 2022.

Execution risk associated with under development projects – The Group remains exposed to execution risks associated with the under-development portfolio comprising 400-MW solar power project and 180-MW wind power project contracted with SECI, 164 MW RE projects contracted with commercial & industrial (C&I) customers, 50-MW wind asset won under a tender from the Indian Railways and another 64-MW solar asset in Gujarat acquired as part of the Vector Green portfolio. The 400-MW solar project is awaiting regulatory approvals related to certain change in events. The ability of the Group to commission these projects without major cost and time overrun shall be critical.

Interest rate, refinancing and regulatory risks – The debt coverage metrics of the company remain exposed to the variation in interest rates. Nonetheless, this is mitigated by the fixed rate loans availed for a large portion of the group debt as part of the refinancing undertaken over the past 12-15 months. However, the company would remain exposed to interest rate

movement at the time of refinancing. The Group is exposed to refinancing risks associated with NCDs due in FY2024 and few term loans having bullet repayment in FY2027 and FY2028. This is largely mitigated by the strong financial flexibility of the Group and long residual tenure of the PPAs for the operating portfolio. Further, the portfolio remains exposed to regulatory risks associated with the scheduling and forecasting norms and risk of any adverse changes in group captive norms with respect to PPAs signed with C&I customers under group captive mode.

Liquidity position: Adequate

The liquidity position of the company is supported by the positive cash flows from operations and available liquidity in the form of free cash balances, liquid investments and debt service reserve. The company is expected to generate cash flows from operations of Rs. 290-300 crore in FY2023 against annual repayment obligation of Rs. 172 crore at a standalone level. At a consolidated level, the group has cash balances and liquid investments aggregating to Rs. 1194.9 crore as on December 31, 2022. Most of the cash is at GIWEL level, with the company holding Rs. 647.3 crore as on December 31, 2022. The group has used a part of this cash in the month of January 2023 towards pay out for the Vector Green acquisition. The ongoing capex for under-development projects is expected to be funded through a mix of debt, internal accruals and equity.

Rating sensitivities

Positive factors – The rating can be upgraded if the credit profile of the parent improves. Also, the rating could be upgraded if the generation performance of the portfolio improves, leading to an improvement in the debt coverage metrics and a decline in the consolidated leverage level.

Negative factors – The ratings can be downgraded in case of a material decline in the generation performance of the renewable capacity of the Group, adversely impacting the debt coverage metrics. Specific credit metric for a downgrade is cumulative DSCR on a consolidated basis falling below 1.35 times. Further, any large delays in realising payments from the off-takers, adversely impacting the liquidity profile of the company is a negative factor. Also, any deterioration in the credit profile of the parent would be a rating sensitivity. Significant delays in commissioning the under-development projects with major cost overruns could be another negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Power Producers Rating Methodology for Wind Power Producers Impact of Implicit Support from Parent or Group
Parent/Group Support	Rating is based on implicit support from parent group (ultimately held by Sembcorp Industries) which is expected to extend support in case of cash flow mismatch
Consolidation/Standalone	The rating is based on the consolidated financials of the entities mentioned in Annexure-2

About the company

GIWEL is a subsidiary of Sembcorp Green Infra Limited (SGIL), with an operating capacity of 1206.1 MW having 801.2 MW on its books and 404.9 MW on the books of its subsidiaries. Following the acquisition of Vector Green portfolio in January 2023, the capacity under GIWEL has increased to 1725.1 MW comprising wind capacity of 1230.1 MW and solar capacity of 495 MW. At a Group level, SGIL, through its network of subsidiaries, has an operating portfolio of 2248.7 MW (including the Vector Green portfolio acquired in January 2023) renewable energy assets, which includes 1718.7 MW wind power projects and 530-MW solar power projects across multiple states. The overall portfolio of the group including operating and under-development assets is over 3.0 GW.

Key financial indicators

GIWEL (Standalone)	FY2021 – Audited	FY2022 – Audited	H1 FY2023 - Unaudited
Operating income (OI) (Rs. crore)	512.0	648.5	462.2
PAT (Rs. crore)	-32.9	69.8	106.9
OPBDIT/OI (%)	77.5%	79.0%	69.1%
PAT/OI (%)	-6.4%	10.8%	23.1%
Total outside liabilities/Tangible net worth (times)	2.1	2.1	1.9
Total debt/OPBDIT (times)	9.1	6.6	5.2
Interest coverage (times)	1.3	1.7	2.4

SGIL (Consolidated)	FY2021 – Audited	FY2022 – Audited	9M FY2023 - Unaudited
Operating income (OI) (Rs. crore)	1,388.5	1,594.5	1341.0
PAT (Rs. crore)	(28.3)	149.5	296.1
OPBDIT/OI (%)	79.3%	76.2%	72.6%
PAT/OI (%)	-2.0%	9.4%	15.4%
Total outside liabilities/Tangible net worth (times)	2.5	2.3	2.1
Total debt/OPBDIT (times)	6.3	5.2	4.9
Interest coverage (times)	1.67	2.0	2.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Source: Company data, ICRA Research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

SN	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2022 (Rs. crore)	Date & rating on	Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020
					Jan 31, 2023	Jan 31, 2022	April 1, 2021	Jan 05, 2021	Dec 20, 2019
1	Commercial Paper	Short-term	500.00	0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Long Term – Fund Based Limits	Long-term	100.00	-	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Positive)
3	Long Term/Short Term – Fund Based/Non-Fund Based Limits	Long-term/Short-term	200.00	-	[ICRA]AA+ (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	-	-
4	Long Term/Short Term – Non-Fund Based Limits	Long-term/Short-term	200.00	-	[ICRA]AA+ (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA(Stable)/[ICRA]A1+	[ICRA]A A- (Positive)/[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial Paper	Very Simple
Long Term – Fund Based Limits	Simple
Long Term/Short Term – Fund Based/Non-Fund Based Limits	Simple
Long Term/Short Term – Non-Fund Based Limits	Very 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-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Commercial paper*	-	-	7-365 days	500.00	[ICRA]A1+
-	Long Term – Fund Based Limits	-	-	-	100.00	[ICRA]AA+(Stable)
-	Long Term/Short Term – Fund Based/Non-Fund Based Limits	-	-	-	200.00	[ICRA]AA+(Stable)/ [ICRA]A1+
-	Long Term/Short Term – Non-Fund Based Limits	-	-	-	200.00	[ICRA]AA+(Stable)/ [ICRA]A1+

Source: Company; *Unplaced CP

[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
Green Infra Renewable Energy Limited	100.0%	Full Consolidation
Green Infra Renewable Projects Limited	100.0%	Full Consolidation
Green Infra Wind Power Generation Limited	72.1%	Full Consolidation
Mulanur Renewable Energy Limited	67.3%	Full Consolidation
Green Infra Wind Generation Limited	70.5%	Full Consolidation
Green Infra Solar Power Projects Limited	100.0%	Full Consolidation
Green Infra Solar Generation Limited	100.0%	Full Consolidation
Green Infra Wind Energy Generation Limited	100.0%	Full Consolidation
Green Infra Clean Solar Energy Limited	100.0%	Full Consolidation
Vector Green Energy Private Limited	100.0%	Full Consolidation

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