

July 29, 2024

Green Infra Renewable Energy 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	1,233.00	1,064.31	[ICRA]AA+ (Stable); reaffirmed
Total	1,233.00	1,064.31	

*Instrument details are provided in Annexure-I

Rationale

ICRA's long-term rating assigned to Green Infra Renewable Energy Limited (GIREL) factors in the presence of a strong parent group as the company is a subsidiary of Sembcorp Green Infra Private Limited (SGIPL), which is the renewable energy arm of the Sembcorp Group in India. SGIPL, rated [ICRA]AA+ (Stable)/[ICRA]A1, was previously known as Green Infra Wind Energy Limited (GIWEL)/Green Infra Wind Energy Private Limited (GIWEPL). 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 entire external debt availed by GIREL is backed by corporate guarantees issued by Sembcorp Utilities Pte Limited (SUPL)¹.

The rating considers the limited demand and tariff risks for GIREL's 249.9-MW wind power project, given the 25-year long-term power purchase agreements (PPA) signed with PTC India Ltd. (PTC; rated [ICRA]A1+) for the entire project capacity at a fixed tariff rate of Rs. 3.46 per unit. ICRA notes that the tariff offered by the project remains competitive in relation to the average power purchase cost of the ultimate customers. Even though the generation of the plant deteriorated in FY2024 compared to FY2023 due to lower wind resource availability, the company generated sufficient cash accruals to service the debt obligations comfortably.

While the project leverage remains high as the project cost was largely funded through debt, the debt coverage metrics are comfortable, backed by an overall satisfactory operating performance and highly competitive interest rates, which are fixed for the five-year tenure of the loan. Also, the company is eligible to receive carbon credits for generation from its wind power project, which aids the profitability and cash flows of the company. However, there has been a reduction in the revenues from carbon credits in FY2024 compared to FY2023 owing to the decline in carbon credit prices.

The rating is, however, constrained by the single asset and single location nature of the company's operations, along with the vulnerability of its cash flows to high seasonality and possible variation in wind density. As the PPA tariff is single part and fixed in nature, the revenues are linked to the actual units generated and exported.

The rating is also constrained by the counterparty credit risks arising from the exposure to PTC, which in turn is selling power to the state distribution companies (discoms) of Uttar Pradesh, Bihar and Jharkhand, which have modest financial risk profiles. Nonetheless, the payments have been largely timely from all the discoms; also, PTC has opened a letter of credit as payment security in favour of GIREL. While the interest rate is fixed for the tenure of the term loans, the company is exposed to the risk

¹ Green Infra Renewable Energy Limited (GIREL) is a step-down subsidiary of Sembcorp Utilities Pte Limited (SUPL), which is in turn held by Sembcorp Industries Limited (SCI)

of interest rate hike at the end of the loan tenure (five years). Further, the rating is constrained by the refinancing risk associated with lumpsum/bullet repayments for the loan facilities at the end of the five-year tenure.

Nonetheless, ICRA draws comfort from the strong financial flexibility of the Sembcorp Group and the long residual tenure of the PPAs for GIREL. The rating also factors in the regulatory risks of implementing the scheduling and forecasting regulations, given the challenges in forecasting with accuracy for wind power projects.

The Stable outlook on the [ICRA]AA+ rating reflects ICRA's opinion that the company would benefit from the long-term PPAs, a satisfactory generation performance, the timely receipt of payments and the benefits of being part of the Sembcorp Group.

Key rating drivers and their description

Credit strengths

Strong sponsor and experienced management team - GIREL 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, experienced management and comfortable debt coverage metrics. The debt availed by GIREL is backed by the corporate guarantees issued by SUPL.

Long-term PPAs limit demand risks - GIREL has signed long-term PPAs with PTC India Ltd. to supply to the discoms of Uttar Pradesh (99.9 MW), Bihar (50 MW), Jharkhand (50 MW) and Delhi (50 MW; BSES Rajdhani Power Limited) for the entire project capacity of 249.9 MW at a fixed tariff of Rs. 3.46 per unit for a tenure of 25 years, limiting the demand and tariff risks. Also, the competitiveness of the project is supported by the tariff offered by GIREL, which is well below the average power purchase cost (APPC) of the discoms purchasing this power.

Satisfactory operating performance since CoD; recent dip in generation a concern - The generation performance of the wind asset under GIREL was healthy with a PLF of 34.0% in FY2021, remaining above the declared PLF under the PPA. However, since FY2022, the PLF has been lower than the declared PLF level. Further, the PLF declined to 28.6% in FY2024 from 31.9% in FY2023. The generation has been impacted by lower wind resource availability and change in wind patterns; however, the grid and machine availability for the asset continue to remain satisfactory.

Debt coverage metrics to remain comfortable - As the project was largely funded through debt, the project's leverage remains high. Notwithstanding this, the company's debt coverage metrics are expected to be comfortable, backed by a satisfactory operating performance and highly competitive interest rates (fixed for the five-year tenure of the loan).

Credit challenges

Single-asset operations; sensitivity of debt metrics to energy generation - The debt metrics for the wind power project under GIREL remain sensitive to the PLF level, given the single part and fixed tariff structure under the PPA. Hence, any adverse variation in weather conditions may impact the PLF and consequently the cash flows. Further, the geographic concentration of the asset in Tuticorin, Tamil Nadu, amplifies the generation risk, as witnessed by the dip in generation in FY2024.

Credit risks due to exposure to state discoms - While comfort is drawn from the presence of PTC India Limited (rated [ICRA]A1+) as the customer, the exposure to the discoms in Uttar Pradesh (UP), Bihar, Jharkhand and Delhi (BSES Rajdhani) gives rise to counterparty risks. The financial risk profile of the discoms in UP, Bihar and Jharkhand remains modest, which could expose the company to the risk of delays in payments. However, the company has largely been realising payments on time from all the discoms.

Refinancing and interest rate risks - The company is exposed to refinancing risks associated with lumpsum/bullet repayments for the loan facilities at the end of five years. However, this risk is mitigated by the strong financial flexibility of the Sembcorp Group and the long residual tenure of the PPAs for GIREL. Also, the company is exposed to interest rate revision risk at the end of the tenure (five years) of the term loans.

Challenges of scheduling & forecasting regulations - The regulatory challenges of implementing the scheduling and forecasting framework for wind power projects pose a risk, given the variable nature of wind energy generation. Also, the risk is more prominent for wind power projects due to higher generation variability compared to solar power projects. The deviation settlement charges for the company have remained moderately high over the years owing to the difference between the scheduled and actual energy generation. These charges further increased in FY2024 primarily due to the change in regulations. The ability of the company to improve the accuracy in scheduling and reducing the deviation settlement charges remains important.

Liquidity position: Adequate

The company's liquidity position is adequate as it is expected to generate sufficient cash flows of ~Rs. 94.0 crore against debt repayment obligations of Rs. 66.37-69.14 crore over FY2025-FY2026.

Rating sensitivities

Positive factors - The rating can be upgraded if the credit profile of the parent, i.e., SGIPL, improves and the generation performance stays above the appraised estimates, leading to healthy cash flows for the company and improvement in its credit metrics.

Negative factors - The rating can be downgraded if a material decline in the generation performance of the project adversely impacts its credit metrics. A specific credit metric for downgrade includes the cumulative DSCR falling below 1.30 times. Further, significant delays in payments from the offtaker or large upstreaming of the cash flows to the sponsor, adversely impacting the liquidity of the company, could be a factor for downgrade. Also, any deterioration in the credit profile of SGIPL or weakening of linkages between GIREL and SGIPL would be a rating sensitivity.

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 The rating is based on implicit support from the 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 entity

About the company

Green Infra Renewable Energy Limited (GIREL) is a wholly-owned subsidiary of SGIPL (a step-down subsidiary of Sembcorp Industries Limited through SUPL). GIREL operates a 249.9-MW wind power project in Tuticorin, Tamil Nadu. The plant commenced operations from October 2018. The company has signed a 25-year PPA with PTC India Ltd at a fixed tariff of Rs 3.46/unit. This project was awarded under the competitive bidding route in February 2017, under the first such tender for wind power projects in the country by Solar Energy Corporation of India Limited (SECI).

Key financial indicators (audited)

GIREL Standalone	FY2022	FY2023	FY2024*
Operating income	255.0	248.8	205.4
PAT	24.2	47.2	8.0
OPBDIT/OI	81.2%	79.3%	72.1%
PAT/OI	9.5%	19.0%	3.9%
Total outside liabilities/Tangible net worth (times)	4.3	3.4	3.2
Total debt/OPBDIT (times)	6.1	5.8	7.3
Interest coverage (times)	1.6	2.3	1.9

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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		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	-	Mar 23, 2022
1 Long term – Fund-based - Term loan	Long term	1,064.31	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	[ICRA]AA (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 loans	FY2022	NA	FY2027	1,064.31	[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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