

December 20, 2019

Green Infra Wind Farm Assets Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	50.0	50.0	[ICRA]A(Stable); reaffirmed
Fund based- term loan	198.0	198.0	[ICRA]A(Stable); reaffirmed
Total	248.0	248.0	

*Instrument details are provided in Annexure-1

Rationale

The ratings factor in presence of strong parentage for the company, a step-down subsidiary of Sembcorp Green Infra Limited which is ultimately owned by Sembcorp Industries Pte Ltd. The rating also favourably takes into account of the operational nature of the 45.0 MW wind power project of the company since January 2013 and presence of long term power purchase agreement (PPA) with Jaipur Vidyut Vitran Nigam Limited (JVVNL). 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 rating also factors in financial flexibility available with the company as well as the debt service reserve account (DSRA) for 1 quarter of debt servicing for term loan and 2 quarter of debt servicing for non-convertible debenture which supports the liquidity of the company.

The rating is, however, constrained by risks that are typical to all wind power projects, including vulnerability to weather conditions, given that revenues are linked to actual units generated and exported. Moreover, the generation risk is amplified by geographic concentration of the wind power project of GIWFAL. Nonetheless, ICRA takes comfort from the generation track record of the project. The generation was higher than P90 plant load factor (PLF) estimates in FY2014 and FY2015 and was marginally lower than P90 PLF in FY2016. The PLF in FY2017 and FY2018 was lower than P90 PLF due to O&M contractor related issues which was resolved in FY2019 with the company opting for self O&M. This in turn has improved the PLF level in FY2019 and 7M FY2020. The rating is also constrained by counter party credit risks associated with sole counter party, JVVNL as evident from the delays in payment in FY2019 and 7M FY2020. The wind power projects, including GIWFAL, having relatively higher tariff than the average power purchase cost of the state distribution utilities may remain exposed to the risk of grid curtailment in future as seen in few other states, though the same has remained absent so far for the project.

The stable outlook on the [ICRA]A rating factors in the predictability of the cash flows given the long track of generation and presence of long-term PPA for the full capacity of the project at a fixed tariff rate.

Key rating drivers and their description

Credit strengths

Presence of a strong sponsor and experienced management team – GIWFAL is a step-down subsidiary of Sembcorp Green Infra Limited (SGIL, rated [ICRA]AA-(Positive)/A1+), renewable energy holding company of Sembcorp group in India. SGIL is a subsidiary of Sembcorp Energy India Limited (SEIL, rated [ICRA]A1+) and step-down subsidiary of

Sembcorp Industries Pte Limited 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 group has installed renewable energy capacity base of more than 1534.4 MW in India including partially commissioned capacity of two under construction projects.

Operational nature of plant mitigates execution risk- The 45.0 MW wind power project was commissioned in phases from October 2012 to January 2013, thereby mitigating execution risk typically associated with under construction projects.

Presence of long term PPA mitigates offtake risk – The PPA for entire 45.0 MW capacity is signed with JVVNL at Rs 5.13/kWh (Rs 5.33/kWh after factoring in transmission loss of 4%) for a period of 20 years from COD which mitigates offtake and price risk while ensuring satisfactory returns.

Self O&M by the company improved generation performance– The plant has been operational since FY2013. The generation was higher than P90 plant load factor (PLF) estimates in FY2014 and FY2015 and were marginally lower than P90 PLF in FY2016 due to wind resource variability. However, the PLF in FY2017 and FY2018 was lower than P90 PLF due to contractor related issues. The company terminated operation and maintenance (O&M) contract and opted for self O&M. This improved the PLF in FY2019 and 7M FY2020 which is expected to sustain going forward.

Presence of DSRA supports liquidity– The company has maintained DSRA for one quarter of debt servicing for term loans and two quarter of debt servicing for Rs 50 crore non-convertible debenture which supports the liquidity of the company.

Credit challenges

Single asset nature of operations and sensitivity of debt metrics to energy generation – The revenue of the company is linked to generation from 45.0 MW wind power project which leads to asset concentration risk. The revenue and cash flows are linked to actual generation considering the single part nature of tariff as per PPA and any variability in weather conditions may impact the same. The risk is mitigated to some extent by the operational track record of the project.

Counter party credit risk as financial risk profile of JVVNL is moderate– The company has single counter party, namely JVVNL, which has moderate financial risk profile exposing the company to counter party credit risk. JVVNL was assigned 'B' grade (on a scale of A+ to C with A+ being highest) in Seventh Annual Integrated Rating for State Power Distribution Utilities by Power Finance Corporation on behalf of Ministry of Power. B grade corresponds to below average operational and financial performance capability of the distribution utility. The moderate financial profile of JVVNL is also evident from the delay in payments.

Interest rate risk– The company is exposed to interest rate risk for the bank lines, as the tariff is fixed for tenor of PPA while interest rate for term loan is floating in nature. Interest rate on the Rs 50 crore NCD is fixed

Liquidity position: Adequate

Liquidity of the company is adequate. The generation from the 45.0 MW wind power project of the company has been satisfactory in FY2019 and H1 FY2020 although the payment from JVVNL has delayed as compared to last year which will increase the working capital intensity of the company. The company has maintained DSRA for 1 quarter of debt servicing for term loans and 2 quarter of debt servicing for NCD which supports the liquidity. The company had cash and liquid investments of Rs 19.40 crore as on March 31, 2019 including DSRA of Rs 13.68 crore

Rating sensitivities

Positive triggers – Satisfactory generation track record on sustained basis and/or material decline in TD/OPBDITA levels and/or improvement in payment cycle from JVVNL on sustained basis and/or improvement in credit profile of Sembcorp Group

Negative triggers – Generation lower than estimates on sustained basis and/or significant increase in TD/ OPBDITA level and/or significant deterioration in payment cycle from JVVNL and/or deterioration in credit profile of Sembcorp Group and/or weakening of linkage with Sembcorp Group and/or DSCR lower than 1.20 times on sustained basis

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers
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 standalone financial statements of the rated entity.

About the company

GIWFAL is a part of Sembcorp Group with Sembcorp Green Infra Limited (rated [ICRA]AA-(Positive)/A1+) as the renewable holding company of the group. The group is promoted by Sembcorp Industries Pte Ltd which is 49.5% owned by Temasek (rated AAA by Moodys).

GIWFAL operates a 45.0MW wind power plant in Rajasthan which was set up at a total cost of Rs 290.7 crore. The plant consists of 30 WTGs of 1.5 MW each located across 10 villages (Dalot, Kangarh, Manpurkalan, Kesarpura, Pratapgarh etc) in Rajasthan. These units were commissioned in phases from October 2012 to January 2013. The Engineering, Procurement and Construction (EPC) are provided by Regen Powertech Pvt. Ltd (RPPL). GIWFAL has opted for self O&M for the project.

In FY2019, the company reported a net profit of Rs. 8.9 crore on an operating income of Rs. 44.0 crore compared to a net profit of Rs. 2.5 crore on an operating income of Rs. 39.6 crore in FY2018.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	39.6	44.0
PAT (Rs. crore)	2.5	8.9
OPBDIT/OI (%)	79.5%	79.1%
RoCE (%)	7.3%	9.5%
Total Outside Liabilities/Tangible Net Worth (times)	3.44	2.67
Total Debt/OPBDIT (times)	6.73	5.74
Interest Coverage (times)	1.32	1.51
DSCR	1.01	1.71

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 October 01, 2019	Rating	FY2019	FY2018	FY2017
					20-Dec-2019	26-Nov-2018	30-Nov-2017	12-Dec-2016
1	NCD	Long Term	50.0	50.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)
2	Term Loan	Long Term	198.0	144.56	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (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
INE542N07013	NCD	FY2015	12.0%	FY2024	50.0	[ICRA]A(Stable)
-	Term Loans	FY2015	-	FY2031	198.0	[ICRA]A(Stable)

Source: Green Infra Wind Farm Assets Limited

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