Orange Bercha Wind Power Private Limited

September 13, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	291.0	291.0	[ICRA]A- (Stable); upgraded from [ICRA]BBB (Stable)
Cash Credit	15.0	15.0	[ICRA]A- (Stable); upgraded from [ICRA]BBB (Stable)
Total	**306.0**	**306.0**	

Rating action

ICRA has upgraded its long-term rating to [ICRA]A- (pronounced ICRA A minus) from [ICRA]BBB (pronounced ICRA triple B) for the Rs. 306-crore[1] bank limits of Orange Bercha Wind Power Private Limited (OBWPPL)[2]. The outlook on the long-term rating is Stable.

Rationale

The revision in rating favourably factors in OBWPPL's satisfactory generation and collection track record from the 50-MW wind power plant along with a decline of ~200 basis points in its financing cost since commissioning. The annual PLF for FY2018 was better than the designed P90 estimate. Generation during YTD FY2019 was even better than the corresponding period of FY2018. Moreover, the collection performance of the company also improved with an average collection period of about 60 days over the last 10-12 months. The rating continues to factor in the long track record of the promoters in the renewable energy sector and the support derived as a part of the Orange Group. The Group has operational renewable power portfolio of ~707 MW (567-MW wind, 140-MW AC [191-MW DC] solar) with another 200 MW in various stages of development (till July 31, 2018). ICRA continues to factor in the revenue visibility of the project due to the presence of long-term power purchase agreement (PPA) at a tariff of Rs. 4.78 per unit with Madhya Pradesh Power Management Company Limited (MPPMCL) for a period of 25 years. ICRA also factors in the comfortable liquidity position of OBWPPL due to the presence of surplus cash (including DSR) and availability of working capital limits which would aid in bridging any intermittent cash flow mismatch.

ICRA further takes note of the ongoing legal proceedings between OBWPPL and MPPMCL in the Appellate Tribunal for Electricity (APTEL), wherein OBWPPL has challenged the presently applicable tariff of Rs. 4.78 per unit for its project and demanded a tariff of Rs. 5.92 per unit. OBWPPL's contention is that the project was ready for commissioning during the control period when the applicable tariff was Rs. 5.92 per unit and the delay in commissioning was primarily attributable to the state utility. Any upward revision to the presently applicable tariff would be a credit positive for the developer.

Nevertheless, the company's profitability and debt protection metrics remain sensitive to its operational performance. Any adverse variation in wind conditions may impact PLF levels and consequently affect cash flows. Further, OBWPPL remains exposed to the credit risk profile of a relatively weaker state utility which offtakes the entire power generated by the company. ICRA notes that the company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the limited experience of developers of operating in India.

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[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Going forward, the ability of the company to report satisfactory operational parameters, receive timely payments from the discom, and ensure timely debt servicing would be the key rating sensitivities.

Outlook: Stable

ICRA believes that OBWPPL will continue to benefit from its long-term fixed tariff-based PPA with MPPMCL and timely collections from the same. The outlook may be revised to Positive if there is a sustained improvement in the PLF level. The outlook may be revised to Negative in case of deterioration in operational performance as well as any material delays from the counterparty affecting the liquidity profile.

Key rating drivers

Credit strengths

Strong position of Orange Group in India's renewable energy space – The Orange Group is one of the leading renewable energy players in the country with ORPPL as the primary holding company for all the power assets in India. AT Holdings Pte Ltd. (ATH), Singapore is the ultimate parent of ORPPL and has more than $2.5 billion assets under management. The Group has various investments in renewable energy, real estate, aviation, oil and gas etc. across various geographies. The Orange Group is managed by a team of well-experienced promoters, technocrats and investment/finance professionals. The Group has a portfolio of ~707 MW (567-MW wind, 140-MW AC [191-MW DC] solar) with another 200 MW in various stages of development (till July 31, 2018).

Revenue visibility of projects due to long-term PPA with MPPMCL – OBWPPL has entered into a PPA for 25 years at a tariff of Rs. 4.78 per unit with MPPMCL for its full 50-MW capacity. Long-term PPAs for the project with state utility results in lower offtake risks and provides revenue visibility.

Satisfactory generation performance since project commissioning – The project has had a generation track record of greater than 24 months and the actual generation performance in FY2018 was better than the P90 estimate. Generation in YTD FY2019 is more than the corresponding period of FY2018 and is closer to the P75 estimates. This is likely to result in healthy cash accruals for the company.

Healthy liquidity profile of company – The collection performance of OBWPPL has improved over the last 10-12 months, resulting in lesser funds being stuck with the discom. The overall liquidity profile of the company remains comfortable as reflected by the presence of surplus cash balances (including DSRA) and presence of working capital limits, wherein the utilisation remains modest. These sources would help OBWPPL bridge any intermittent cash flow mismatches in the near-to-medium term.

Credit challenges

Vulnerability of cash flows to variation in weather conditions – As tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to variation in weather conditions. This in turn would affect the cash flows and debt servicing ability of the company.

OBWPPL remains exposed to credit risk profile of MPPMCL – As MPPMCL offtakes the entire quantum of power generated by the assets of OBWPPL, it remains exposed to the weak credit risk profile of the latter. Any delay in payments by the counterparty will stretch the company's receivable cycle and in turn adversely impact the overall liquidity profile.

Regulatory risks associated with implementation of scheduling and forecasting framework for solar sector – The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the limited experience of developers in operating in Indian conditions.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology]

[Rating Methodology for Wind Power Producers]

About the company

OBWPPL is a subsidiary of Orange Renewable Power Pvt. Ltd. (ORPPL), which is subsidiary of Orange Renewable Holdings Pte Ltd. (ORHPL), Singapore. ORHPL is fully owned by AT Holding Pte Ltd (ATH), Singapore, which has diverse investments in oil and gas, EPC work, hospitality, real estate and renewable energy companies in various geographies. The Group has operational renewable power capacity of 707 MW (567-MW wind, 140-MW AC [191-MW DC] solar) with another 200 MW in various stages of development (Till July 31, 2018).

OBWPPL has set up wind power capacity of 50-MW at Bercha, District Ratlam, Madhya Pradesh with the counterparty being MPPMCL. The wind farm comprises 25 turbines of 2-MW Gamesa G-97. The entire engineering, procurement and construction (EPC) including operations and maintenance (O&M) services are provided by Gamesa Wind Turbines Ltd. (Gamesa).

Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	50.3	58.9
PAT (Rs. crore)	1.7	2.9
OPBDIT/OI (%)	91.1%	94.2%
RoCE (%)	14.8%	9.8%
Total Debt/TNW (times)	2.87	5.01
Total Debt/OPBDIT (times)	6.23	5.44
Interest Coverage (times)	1.54	1.77

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2019) Type	Amount Rated (Rs. crore)	Amount Outstanding March 31,2018 (Rs. crore)	Date & Rating in FY2019 September 2018	Chronology of Rating History for the past 3 years: Date & Rating in FY2018 September 2017	Date & Rating in FY2017 October 2016	Date & Rating in FY2016
1	Term Loan	Long Term	291.0	255.0	**[ICRA]A- (Stable)**	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	-
2	Cash Credit	Long Term	15.0	-	**[ICRA]A- (Stable)**	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	-

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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan 1	September 29, 2015	-	October 2032	291.0	[ICRA]A- (Stable)
NA	Cash Credit 1	NA	-	-	15.0	[ICRA]A- (Stable)

Source: Orange Group

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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