April 10, 2023

Green Infra Wind Farms Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	55.95	55.95	[ICRA]A+ (Stable); reaffirmed
Unallocated limits	5.00	5.00	[ICRA]A+ (Stable); reaffirmed
Total	**60.95**	**60.95**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of the rating on the bank lines of Green Infra Wind Farms Limited (GIWFL) factors in the presence of a strong parent group, as the company is a subsidiary of Sembcorp Green Infra Limited (SGIL), which is part of the Sembcorp Group. While the current parent for GIWFL is SGIL[1], Green Infra Wind Energy Limited (GIWEL; rated [ICRA]AA+ (Stable)/[ICRA]A1+) would become the parent for the entire Group once the reverse merger of SGIL with GIWEL is completed. GIWEL's credit rating has improved following 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 SCI draws comfort from its diversified asset profile and a strong parentage with a 49% shareholding by Temasek Holdings (Private) Limited (rated Moody's Aaa (Stable)). Also, the improvement in the credit profile of GIWEL factors in its improved asset diversity post the acquisition of the Vector Green portfolio and strengthening of its debt coverage metrics. GIWEL remains strategically important to SCI amid its objective to grow the renewable portfolio. The rating also derives comfort from the presence of an experienced management and execution team at the Sembcorp Group with a proven track record.

The rating favourably considers the prepayment of debt by the company in FY2023, which is expected to support the credit metrics, going forward. The rating takes comfort from the long operational track record of the 24.0-MW wind power project of the company since commissioning in June 2009. While the generation in FY2022 was lower than P-90 PLF estimate, it was slightly higher on a year-on-year (YoY) basis, and it further improved in 9M FY2023.

The rating takes into account the mitigation of offtake and pricing risks to a certain extent as the company has signed power purchase agreements (PPAs) with multiple commercial & industrial users (GCUs) under group captive policy at a discount to the prevailing grid tariff rates. The rating further takes into account the timely payments by the GCUs so far and the long relationship between GIWFL and many of its GCUs. Further, the rating factors in the company's adequate liquidity position, evident from the healthy free cash on its books and a debt service reserve account (DSRA) for one quarter of debt servicing.

The rating is, however, constrained by the renewal risks associated with the PPAs at adequate tariffs considering the limited residual tenure of 2.2 years and competition from new renewable projects offering lower tariffs. Nonetheless, comfort is drawn from the past track record of the company in renewing the PPAs in a timely manner. The rating is also constrained by the risks that are typical to all wind power projects, including vulnerability to weather conditions, given that the revenues are linked to the actual units generated and exported. Moreover, the generation risk is amplified by geographic concentration of the wind power project of GIWFL in Tamil Nadu. The performance of the asset has remained below the P-90 estimate over the last four years.

Further, the rating remains constrained owing to the company's leveraged capital structure and moderate debt coverage indicators. This is partially mitigated by the debt prepayments by the company in FY2022 and FY2023. GIWFL is also exposed

[1] SGIL is also the parent of GIWEL

to regulatory risks associated with adverse changes in group captive norms, revision in banking norms and increase in transmission and wheeling charges/losses.

The Stable outlook on the [ICRA]A+ rating reflects ICRA's opinion that the company's cash flows are expected to be supported by the available PPAs with its captive users along with the timely receipt of payments and an established track record of generation.

Key rating drivers and their description

Credit strengths

Strong parentage of Sembcorp Group - GIWFL is a step-down subsidiary of Sembcorp Utilities Pte Limited (SUPL) through SGIL/GIWEL, which is in turn held by SCI [~49% held by Temasek Holdings (Private) Limited; rated Aaa by Moody's]. The companies within the Sembcorp Group are managed by a team of experienced technocrats and investment/finance professionals who have a long and demonstrated track record of project execution and operations. The credit profile of SGIL/GIWEL has improved, supported by the improved credit profile of SCI, better asset diversity and strengthening of its debt coverage metrics.

Long track record of operations - The 24.0-MW wind power plant of GIWFL has been operational since June 2009 and has more than 13 years of operational track record. The generation performance remained strong in the initial years of operations, till FY2013. However, from FY2014 to FY2016, there were grid availability-related challenges in Tamil Nadu, which led to weaker than P-90 generation for the project. The generation in FY2017 and FY2018 was higher than the P-90 PLF estimates. However, the generation over FY2019-FY2022 was below the P-90 level. Notwithstanding this, the generation in the current fiscal is expected to be closer to the P-90 PLF estimate, based on the 9M FY2023 performance. The ability of the company to demonstrate satisfactory generation in line with, or higher than the P-90 PLF estimates is critical as the revenues are directly linked to the actual generation.

PPAs with group captive consumers at a discount to grid tariff; timely payments by customers - GIWFL has signed power purchase agreements (PPAs) with various commercial and industrial consumers under the group captive policy. The PPAs have been signed for the entire generation (at P-90 estimates) at competitive tariffs, which mitigate the offtake and price risks to some extent. The strong credit quality of the counterparties is reflected in the timely payments since COD. The same is evident from the company's low receivable days. The debtor days stood at 24 days as on March 31, 2022 compared with 18 days as on March 31, 2021.

Credit challenges

Risks associated with renewal of PPAs at adequate tariffs - The company faces renewal risks associated with the PPAs, considering the limited residual tenure of 2.2 years against a longer debt repayment tenure. Moreover, the tariffs under the group captive PPAs tied up by GIWFL remain higher than recent solar and wind tariffs offered by developers. However, GIWFL's tariffs remain competitive from a captive user's perspective as the PPA tariff is at a discount to the grid tariffs for the respective captive users. The risk is also mitigated to some extent by the long-term relationship of the company with the GCUs and the demonstrated ability to renew these PPAs in the past.

Seasonal nature of operations and unpredictable PLFs for wind power projects - The revenues and cash flows of the company are linked to generation from the 24.0-MW wind power project, considering the single part nature of the tariff under the PPAs. Any variability in weather conditions would impact the cash flow. The risk is mitigated to some extent by the long operational track record of the project.

Moderate debt coverage metrics; prepayments to support debt coverage metrics - The company's debt metrics remain moderate, considering the large repayments over the next few years. However, the company has prepaid the entire instalments due for FY2023 in April 2022 and has prepaid another Rs. 10.0 crore during the year. This is expected to support the debt coverage metrics of the company, going forward. Previously, the company had prepaid the principal amount due for FY2022 in FY2021, owing to which it did not have to make any repayments in FY2022.

Regulatory challenges - The company's operations are exposed to regulatory risks pertaining to group captive norms, revision in open access charges and the scheduling & forecasting requirements of wind power projects. Given that the open access charges are borne by GIWFL under most of the PPAs, any increase in these charges and losses may impact its profitability. Also, any reduction in the banking period or increase in banking charges may impact the operations. Further, any revision of the shareholding norms for group captive projects could adversely impact the operations of GIWGL.

Liquidity position: Adequate

The liquidity profile of GIWFL is adequate, supported by sufficient cash flows from operations and healthy free cash balances against the scheduled debt repayments. The company had free cash and liquid investments of ~Rs. 17.5 crore as of February 2023, excluding DSRA of Rs 4.30 crore equivalent to one quarter of debt servicing. Further, the company is expected to generate cash flow from operations of over Rs. 9.0 crore over FY2024-FY2025 against annual debt repayment obligations of Rs. 7.5-8.0 crore. The company has made term loan prepayments of Rs. 10.0 crore in the current fiscal, apart from paying the entire instalment due for FY2023 in April 2022.

Rating sensitivities

Positive factors - A satisfactory generation track record in line with the P-75 PLF estimates on a sustained basis, leading to a material improvement in the debt coverage indicators could lead to an upgrade. Also, an improvement in the credit profile of the Sembcorp Group is a factor for upgrade.

Negative factors - A material decline in generation compared to the historical average, leading to a deterioration of the debt coverage indicators on a sustained basis could lead to a downgrade. Further, a significant deterioration in the payment cycle from the counterparties adversely impacting the liquidity of the company could lead to a downgrade. Also, the rating remains sensitive to the credit profile of the Sembcorp Group.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Wind Power Producers Impact of Implicit Support from Parent or Group
Parent/Group support	Parent Company: SGIL/GIWEL 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, given GIWFL's reputational sensitivity to the Group
Consolidation/Standalone	The rating is based on the standalone financials of the company

About the company

GIWFL is a special purpose vehicle (SPV) promoted by the Sembcorp Group and is operating a 24-MW wind power plant in Tamil Nadu under the group captive scheme. As on March 31, 2022, SGIL[2] had an equity shareholding of 66.18% in GIWFL with the balance held by the group captive consumers. The plant was commissioned in June 2009 and has more than 13 years of operational track record now. The wind turbines were supplied by Suzlon, which is the O&M contractor as well. The power is supplied to commercial and industrial (C&I) customers under the group captive mode.

Key financial indicators (audited)

GIWFL Standalone	FY2021	FY2022
Operating income	23.4	23.9
PAT	0.7	14.2
OPBDIT/OI	64.6%	64.9%
PAT/OI	3.1%	59.3%
Total outside liabilities/Tangible net worth (times)	-27.9	9.4
Total debt/OPBDIT (times)	6.5	5.8
Interest coverage (times)	1.9	2.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[2] ICRA notes that SGIL is being reverse merged into GIWEL (rated [ICRA]AA+ (Stable)/[ICRA]A1+)

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Jan 02, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Apr 10, 2023	Dec 30, 2022	Sep 14, 2021	Aug 17, 2020
1	**Term loan**	Long term	55.95	52.95*	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**
2	**Unallocated limits**	Long term	5.00	-	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**

** company data*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Unallocated limits	Not Applicable

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 loan**	Feb-2019	10.0%	Mar-2030	55.95	**[ICRA]A+ (Stable)**
NA	**Unallocated limits**	NA	NA	NA	5.00	**[ICRA]A+ (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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