April 10, 2023

Green Infra Wind Energy Project Limited: Rating upgraded to [ICRA]A+ (Stable) from [ICRA]A (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- Fund based TL	38.62	38.62	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)
Total	**38.62**	**38.62**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade in Green Infra Wind Energy Project Limited's (GIWEPL) rating factors in the improvement in the credit rating of its parent group, with the rating for the flagship entity of the Group, Green Infra Wind Energy Limited (GIWEL), improving to [ICRA]AA+ (Stable) from [ICRA]AA (Stable). GIWEPL is a part of a co-obligor arrangement comprising three SPVs, including Green Infra Wind Generation Limited (GIWGL) and Green Infra Wind Power Project Limited (GIWPPL). While the parent for only one (GIWGL) of the three SPVs is GIWEL, this would become the parent for the entire Group once the reverse merger of Sembcorp Green Infra Ltd. (SGIL)[1] with GIWEL is completed. The upgrade in GIWEL's credit rating 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 SCI draws comfort from its diversified asset profile and 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 GIWEPL's revenue visibility, which is supported by the long-term power purchase agreement (PPA) with Maharashtra State Electricity Distribution Company Limited (MSEDCL) at a fixed tariff rate. Also, the entity's operational performance improved in FY2023 as the asset's PLF level normalised compared to FY2022 - the generation was lower in FY2022 due to lower machine and grid availability. Going forward, GIWEPL's debt metrics are expected to remain comfortable, supported by the long-term PPA with MSEDCL, adequate generation performance and a competitive interest rate, which is fixed for the entire debt tenure.

The rating is, however, constrained by the counterparty credit risk associated with MSEDCL, as witnessed in the significant delays in payments from the Maharashtra utility. The receivable position from MSEDCL was at ~10 months as of January 2023. The rating further remains constrained by the relatively high PPA tariff against the average power procurement cost (APPC) of MSEDCL, exposing the asset to the risk of grid curtailment. Nonetheless, such instances have not been observed so far.

The rating is also constrained by the sensitivity of the debt metrics to generation performance, given the single part tariff under the PPA. Any adverse variation in weather conditions and equipment performance may impact the PLF levels and consequently the cash flows and debt metrics. ICRA also takes note of GIWEPL's susceptibility to the regulatory risk pertaining to the forecasting and scheduling norms for wind power projects.

[1] SGIL is the current parent for two entities under the co-obligor structure, i.e., GIWPPL and GIWEPL, and is also GIWEL's parent

The Stable outlook assigned to the long-term rating of GIWEPL factors in the revenue stability from the availability of the long-term PPA, adequate generation performance and a strong parent.

Key rating drivers and their description

Credit strengths

Strong parentage as the company is a part of the Sembcorp Group; support from the entities in the pool - GIWEPL 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 an improvement in the credit profile of SCI, better asset diversity and strengthening of its debt coverage metrics. Also, given the cross-default linkages among GIWEPL, GIWPPL and GIWGL, each SPV is expected to receive support from the other two in case of distress.

Long-term PPA with MSEDCL - The 18.0-MW capacity under GIWEPL has a long-term PPA (13 years) with MSEDCL at a fixed tariff rate of Rs. 5.81/unit. This provides revenue visibility for the company.

Satisfactory generation performance - Over the years, the generation performance of the 18-MW wind power project under GIWEPL remained above the P-90 estimate. While the generation performance was impacted (PLF of 15.97%) by a decline in machine and grid availability in FY2022 arising from force majeure events, the issues have been resolved, as reflected in the improvement in generation by ~53% in 9M FY2023 over 9M FY2022.

Comfortable debt coverage metrics - GIWEPL's debt coverage indicators are expected to remain comfortable with the annual DSCR estimated to remain over 1.3x over the medium term, supported by satisfactory generation performance, adequate profitability and a competitive interest rate, which is fixed for the entire debt tenure.

Credit challenges

Counterparty credit risk associated with MSEDCL - The counterparty credit risk remains high for GIWEPL owing to the exposure to MSEDCL as a single buyer, which has a modest credit profile. There have been significant delays in realising payments from MSEDCL with the debtors at 400 days as on March 31, 2022 and ~10 months as of January 2023. Notwithstanding this, the dues from MSEDCL are expected to be cleared and regularised shortly, as per the Maharashtra Electricity Regulatory Commission's (MERC) recent order.

Weak tariff competitiveness exposing the asset to risk of grid curtailment - GIWEPL remains exposed to the risk of grid curtailment by MSEDCL in the future, given the relatively high PPA tariff against the average power procurement cost (APPC) of the utility. However, so far, there have not been any instances of grid curtailment or reduction in offtake by MSEDCL.

Sensitivity of debt metrics to energy generation - The debt metrics of the wind power asset remain sensitive to the PLF levels, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or machine performance may impact the PLF and consequently the cash flows. The geographic concentration of the asset in Maharashtra amplifies the generation risk.

Regulatory risk of implementing scheduling and forecasting framework for wind sector - The company's operations remain exposed to the regulatory risks pertaining to scheduling and forecasting requirements for renewable energy projects, given the variable nature of wind generation.

Liquidity position: Adequate

GIWEPL's liquidity remains adequate with the cash flows from operations and available liquidity expected to be sufficient to meet the debt servicing requirements in FY2024 and FY2025. While the lenders have exempted the company from maintaining a debt service reserve account (DSRA), it is expected to maintain sufficient cash balances to meet the debt servicing obligations and O&M expenses.

Rating sensitivities

Positive factors – Satisfactory operational performance of the asset and a sustainable reduction in the receivable period from MSEDCL could lead to a rating upgrade. Also, the rating would remain sensitive to the credit profile of the parent (SGIL/GIWEL) and GIWPPL & GIWGL.

Negative factors – Pressure on the rating could emerge from a deterioration in the generation performance, adversely impacting the debt coverage metrics. Further, deterioration in the payment cycle from the counterparty adversely impacting the liquidity profile is another negative factor. In addition, the rating would remain sensitive to the credit profile of the parent (SGIL/GIWEL) and GIWPPL & GIWGL.

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 Rating Approach – Explicit third-party Support
Parent/Group support	The rating assigned to GIWEPL factors in the cross-default linkages with GIWPPL and GIWGL. Also, the rating factors in the implicit support from Group holding company, SGIL/GIWEL, with support expected to be forthcoming in case of any cash flow mismatch. The rating for GIWEPL has been arrived at by following the analytical steps as given below: 1. An assessment of the standalone credit profile of GIWEPL. 2. An assessment of the Group's credit profile by undertaking a consolidated assessment of the three SPVs in view of the cross-default linkages among them, and then further notching up the Group's notional rating based on expectations of implicit support from the Group's holding company, Sembcorp Green Infra Limited (SGIL)[2]. 3. The final rating for the bank facility of GIWEPL is arrived at by suitably notching up the standalone rating after duly considering the Group's rating and the linkages between the standalone entity and the Group
Consolidation/Standalone	Standalone

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

About the company

GIWEPL is a special purpose vehicle (SPV) promoted by SGIL through a wholly-owned subsidiary, Green Infra Wind Ventures Limited. The company has set up an 18.0-MW wind power plant in Maharashtra, which was commissioned in June 2013. The company had signed a 13-year PPA with Maharashtra State Electricity Distribution Company Ltd (MSEDCL) in March 2014 at a tariff rate of Rs 5.81/unit. The company is also eligible for generation-based incentives (GBI) at Rs 0.5/kWh, subject to a maximum of Rs. 1.0 crore/MW.

Key financial indicators (audited)

GIWEPL	FY2021	FY2022
Operating income	20.5	18.1
PAT	4.4	1.8
OPBDIT/OI	74.0%	70.9%
PAT/OI	21.7%	9.9%
Total outside liabilities/Tangible net worth (times)	0.6	0.4
Total debt/OPBDIT (times)	3.1	3.0
Interest coverage (times)	2.9	3.0

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

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	Sep 09, 2022*	Jun 18, 2021	-
1	**Long term-fund based TL**	Long term	38.62	32.4^	**[ICRA]A+ (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A+(CE) (Stable)**	-

** [ICRA]A+(CE) (Stable) withdrawn; [ICRA]A (Stable) assigned simultaneously; ^ company data*

Complexity level of the rated instruments

Instrument	Complexity Indicator
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 Loan-I**	March 2017	9.25%	FY2028	38.62	**[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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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.

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