

## India Ratings Revises Green Infra Wind Energy's Outlook to Positive; Affirms 'IND AA-'

# 12

MAR 2020

By Shreyas Vaidya

India Ratings and Research (Ind-Ra) has revised Green Infra Wind Energy Limited's (GIWEL) Outlook to Positive from Stable while affirming its Long-Term Issuer Rating at 'IND AA-'. The instrument-wise rating actions are as follows:

Instrument Type	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	-	FY23	INR9,770	IND AA-/Positive	Assigned
Working capital facility	-	-	-	-	INR500 (increased from INR250)	IND AA-/ Positive /IND A1+	Affirmed; Outlook revised to Positive from Stable
Letter of credit facility	-	-	-	-	INR4,000	IND AA-/ Positive /IND A1+	Affirmed; Outlook revised to Positive from Stable
Non-convertible debentures (NCDs)*	INE477K07018	8 August 2018	9.65%	4 August 2023	INR10,000	IND AA/ Positive	Affirmed and Reassigned; Outlook revised to Positive from Stable

\* Ind-Ra has removed the 'SO' suffix from the outstanding rating to comply with the Securities and Exchange Board of India's circular dated 13 June 2019. The change in suffix does not result in any change in rating on the said instruments.

**Analytical Approach:** Ind-Ra continues to take a consolidated view of GIWEL and its 100% subsidiary Green Infra Renewable Energy Limited (GIREL).

The NCD rating is higher than the Long-Term Issuer Rating due to the ring-fenced cash flows and the maintenance of additional unutilised working capital limits or cash and cash equivalent to the extent of one quarter of debt servicing requirements, according to the conditions of the raised NCDs over and above the already created debt service reserve account (DSRA) for one-quarter debt servicing.

## KEY RATING DRIVERS

**Under-construction Projects on Track; Increase in Operational Capacity:** The Positive Outlook reflects a reduction in GIWEL's under-construction capacity to 7% at end-February 2020 from 52% at FYE19 of the total capacity of 1,050MW at end-January 2020, reducing the construction risk as well as debt financing tie-up for the projects.

GIWEL's operational capacity increased to 976 megawatt (MW) with the commissioning of 250MW Solar Energy Corporation of India-II (SECI) asset in February 2020 and 227MW SECI-III asset till end-January 2020. The remaining 73MW of SECI-III asset is likely to be operational by FYE20. The debt financing tie up for under-construction assets has been arranged for along with regular equity infusion from GIWEL's parent Sembcorp Green Infra Limited, group subsidiaries and through internal accruals. For SECI-II and SECI-III projects, against the approved cost of INR17,030 million and INR19,700 million, GIWEL has tied-up debt of INR9,770 million and INR14,770 million, respectively. As on 1 February 2020, GIWEL had infused equity of INR5,090 million and INR4,940 million in SECI-II and SECI-III projects, respectively, to maintain a comfortable debt to equity ratio.

**Improvement in PLFs:** The plant load factors (PLFs) of GIWEL's underlying projects, particularly Dhule (40MW, Maharashtra), Bharmasagar (36.3MW, Karnataka), Telgi (23.1MW, Karnataka), Bhud (43.5MW, Maharashtra) and Rojwas (60MW, Madhya Pradesh), are healthy and better than the P90 levels for 9MFY20. The PLFs for projects with lower PLF than P90 levels improved as GIWEL took over their operations and maintenance (O&M). The SECI-I asset under its subsidiary, GIREL, which started operations in October 2018, was operative during the wind season of FY20 and recorded a PLF of 35.2% in 9MFY20 (FY19: 23.41%). For 1HFY20, GIWEL's standalone revenue and EBITDA increased to INR2,191 million (FY19: INR2,621 million, FY18: INR2,101 million) and INR1,926 million (INR2,110 million, INR1,543 million), respectively, on improved PLFs. The revenue is likely to improve substantially FY21 onwards on the commissioning of SECI-II and SECI-III projects.

**PPAs Provide EBITDA Visibility:** The underlying projects have firm power purchase agreements (PPAs) with the balance PPA life ranging from six months (Dhule) to 23 years (Rojmal and Sadla) at FYE19. The PPA for the Dhule project is likely to be renegotiated in line with the prevailing competitive bid tariffs from its present tariff of around INR5.15/kWh. The capacities bid under SECI, including SECI-I, II and III, are also tied up under a 25-year PPA with SECI and hence provide revenue and EBITDA visibility. The weighted average tariff of the existing operational projects of 499MW is around INR4.85/kWh; however, with the commissioning of the entire portfolio of 1,050MW, the average tariff is likely to decline to around INR3.3/kWh, which would also reduce the overall offtake risk.

**Healthy Counterparty Diversification:** The ratings continue to factor in the healthy profile of GIWEL's counterparties SECI and PTC India Limited (PTC). SECI and PTC are counterparties for GIWEL's 800MW of capacity (76%) and have better credit profiles than those of the state power utilities that are counterparties for the rest of 249MW capacity. These 249MW of assets are diversified across seven projects in Maharashtra (83.5MW), Gujarat (46MW), Karnataka (59.4MW) and Madhya Pradesh (60MW). All the projects have PPAs with the respective state distribution companies. With distribution utilities trying to optimise power purchase costs, any effort for the renegotiation or termination of PPAs will be an event risk.

GIWEL's receivables increased to INR7,060 million at end 9MFY20 (FYE19: INR417 million) on a delay in the receipt of dues from Maharashtra. However, given that state distribution companies have weak financial profiles, the receivables may remain elevated in the near-to-medium term. This is partly mitigated by the fact that once the commissioning of all GIWEL's under-construction assets takes place, around 76% of the power has been tied with SECI and PTC, assuring stable cash flows.

**Sponsor Linkages and Support:** GIWEL's sponsor, Sembcorp Green Infra, owned a total of 1,177.5MW operational wind and solar projects at FYE19. The sponsor is 100% owned by Sembcorp Energy India Limited that is held 100% by Sembcorp Utilities that is 49.5% held by Temasek Holdings Pte. Limited. Sembcorp Utilities has a strong presence in Asia and is one of the leading global energy, water and marine groups operating across six continents. Sembcorp Group's experience in developing and operating large infrastructure and renewable projects globally and its significant ownership by the Singapore government's held sovereign wealth fund (Temasek) are rating positives. GIWEL has financial and operational links with the sponsor. Ind-Ra thus expects the Sembcorp Group to support its India renewable investments, should the need arise.

**Liquidity Indicator - Adequate:** GIWEL had unutilised working capital limit of INR500 million at end-February 2020. The cash and cash equivalents at end-1HFY20 were INR697 million (FYE19: INR2,380 million; FYE18: INR1,224 million). GIWEL's consolidated borrowings increased to INR48.2 billion at end-January 2020 (FYE19: INR27.6 billion) due to the debt drawn for the SECI-II and SECI-III projects. With long-term debts tied-up for all the three SECI projects, short-term borrowings reduced to INR4.9 billion at end-January 2020 (FYE19: INR12.3 billion). GIWEL has scheduled repayments of INR1.4 billion in FY21 and INR2.1 billion in FY22 which Ind-Ra expects to be serviced from strong cash flow from operations. Furthermore, long-term loans to the tune of INR9.77 billion and NCDs which have bullet repayments in FY23 and FY24, respectively, could face refinancing risk. However, Ind-Ra derives comfort on account of GIWEL's strong parentage and factors in the timely refinancing of the debt. Furthermore, the NCDs raised for the underlying projects of 249MW have a fully funded DSRA that remains undipped as on date.

**Moderate Debt Coverage Metrics:** Ind-Ra believes SECI-I, SECI-II and the upcoming project SECI-III will have higher net leverage than that of the 249MW operational projects, due to competitive tariffs (INR2.44/kWh to INR3.46/kWh). However, given the higher expected PLFs (33%-38%), the longer tenure of the loans tied up for SECI-I (18 years post moratorium of one year after the commercial operations date) and the competitive interest rates, the under-construction projects are likely to have comfortable interest coverages and debt service coverage ratios of above 1.1x. The structure of the NCDs also envisages a debt/EBITDA covenant of 5.5x.

## RATING SENSITIVITIES

### For Issuer Rating and bank loan rating

**Positive:** An ability to maintain strong counterparty profile, the timely execution of future projects with healthy return profile, adequate liquidity in the form of cash and undrawn bank lines and continued healthy operating performance of the existing plants coupled with debt service coverage ratios higher than Ind-Ra's base case estimates could result in a positive rating action.

**Negative:** The following events, individually or collectively, can lead to a negative rating action:

- the weaker operating performance of the existing plants
- dilution of the counterparty profile
- any delays in the execution of future projects impacting the return profile
- a fall in the debt service coverage ratios compared to Ind-Ra base case
- a decline in linkages with the parent

### For NCD rating

**Positive:** Any positive rating action on the Issuer Rating will lead to a positive rating action on NCDs.

**Negative:** Any negative rating action on the Issuer Rating and/or weaker-than-expected operational performance leading to a dip in the DSRA could lead to a negative rating action.

## COMPANY PROFILE

GIWEL is a direct subsidiary of Sembcorp Green Infra. Sembcorp Green Infra, along with its wholly-owned subsidiary Green Infra Wind Assets, holds 100% shareholding in GIWEL.

GIWEL owns wind assets, spread across Karnataka, Maharashtra, Madhya Pradesh and Gujarat. GIWEL also owns 249.9MW of capacities under its 100% subsidiary GIREL.

### FINANCIAL SUMMARY

Particulars (Standalone)	FY19	FY18
Net revenue (INR million)	2,621	2,101
EBITDA (INR million)	2,110	1,543
EBITDA margin (%)	80.5	73.4
EBITDAR interest coverage (x)	1.9	1.6
Total external debt	25,983	12,204
Source: GIWEL, Ind-Ra		

## RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limit (million)	Rating	9 July 2019	22 August 2018	1 September 2017
Issuer Rating	Long-term	-	IND AA-/Positive	IND AA-/Stable	IND AA-/Stable	-
Working capital facility	Long-term/ Short-Term	INR500	IND AA-/Positive/IND A1+	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+	IND A+/Stable

Letter of credit facility	Long-term/ Short-Term	INR4,000	IND AA-/Positive/IND A1+	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+	IND A+/Stable
NCDs	Long-term	INR10,000	IND AA/Positive	IND AA(SO)/Stable	IND AA(SO)/Stable	-
Term loan	Long-term	INR9,770	IND AA-/Positive	-	-	-

## COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## SOLICITATION DISCLOSURES

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## ABOUT INDIA RATINGS AND RESEARCH

**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit [www.indiaratings.co.in](http://www.indiaratings.co.in).

## DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS](https://www.indiaratings.co.in/RATING-DEFINITIONS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE [WWW.INDIARATINGS.CO.IN](http://WWW.INDIARATINGS.CO.IN). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

## Applicable Criteria

[Corporate Rating Methodology](#)

## Analyst Names

[Primary Analyst](#)

**Shreyas Vaidya**

Analyst

India Ratings and Research Pvt Ltd Wockhardt Towers, 4th floor, West Wing Plot C-2, G Block. Bandra  
Kurla Complex Bandra (East), Mumbai 400051

+91 22 40001775

---

Secondary Analyst

**Nitin Bansal**

Senior Analyst

0124 6687290

---

Committee Chairperson

**Prashant Tarwadi**

Director

+91 22 40001772

---

Media Relation

**Ankur Dahiya**

Manager – Corporate Communication

+91 22 40356121

---