GP Wind (Jangi) Private Limited (Revised)

December 02, 2022

Rating

Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	219.50 (Reduced from 240.00)	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Total long-term instruments	**219.50 (₹ Two hundred nineteen crore and fifty lakh only)**		

Details of instruments in Annexure-1

Detailed rationale and key rating drivers

The rating assigned to the non-convertible debenture (NCD) issue of GP Wind (Jangi) Private Limited (GPWL) continues to derive strength from the low sales risk emanating from its long-term power purchase agreement (PPA) at fixed tariff for its operational capacity with Gujarat Urja Vikas Nigam Limited (GUVNL, rated 'CARE AA; Stable/ CARE A1+'), which has strong credit profile and consistently timely payment track to GPWL. The rating continues to favourably factor in the long operational track record with satisfactory generation level in the past, ensuring healthy cash generation. The rating also takes into account improved generation levels during CY22 (refers to the period from January 01 to December 31) and H1CY22 (refers to the period from January 01 to June 30) after a dip in the plant load factor (PLF) reported in CY20.

The rating continues to draw comfort from technical capability of the wind turbine generator (i.e., Vestas-make with decent hub height and rotor diameter) and the low operations and maintenance (O&M) risk given the expenses and performance assured by an agency of repute. Furthermore, the rating continues to factor in well-established promoter group (i.e., Genting Berhad), GWPL's structured payment mechanism associated with the NCD issue and strong liquidity profile with maintenance of debt service reserve account (DSRA).

The rating strengths are, however, constrained by susceptibility of operating performance to the exposure to seasonal wind patterns, asset concentration and technology risk.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade.

- Improvement in debt coverage indicators with total debt to gross cash accruals (TD/GCA) below 3.00x on a sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade.

- Deterioration of credit profile of counter party and delayed payments from GUVNL on a sustained basis, adversely impacting the liquidity.
- Operation at sub-optimum PLF on a sustained basis or significant increase in the borrowing cost impacting the debt coverage indicators.
- Significant reduction in free cash balance, thus affecting the liquidity profile.

Detailed description of the key rating drivers

<u>Key rating strengths</u>

Long-term off-take arrangement with strong counterparty: GPWL has signed a PPA with GUVNL to supply power for a period of 25 years at a fixed tariff of ₹3.56 per unit. The strong credit profile of the off-taker minimises the counter party risk in terms of procurement and timely receipts of revenues. The company has been receiving payments on time from GUVNL with receipts within an average of 6-8 days from the date of raising invoice.

Long operational track with satisfactory generation: The operational track record of the plant is nearly 11 years. Generation has been consistently above/close to P-50 levels barring CY20 (which was low due lower wind speed and machine availability impacted by lightning). To reduce the effect of lighting, the company has completed installation of protective caps. In CY21, PLF moderately improved to 25.20%, and achieved normal levels during H1CY22 to reach 29.30% (H1CY21: 26.16%).

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Escrow mechanism for cash flows and cash trap: The NCD structure entails transfer of all cash flows to the designated escrow account which would be periodically transferred to various sub-accounts in the prescribed order of priority as per the defined waterfall mechanism in Trust and Retention Account (TRA). The structure also stipulates maintenance of DSRA equivalent to requirement of redemption installment and coupon payable for ensuing 6 months.
Furthermore, the structure entails cash trap at a debt service coverage ratio (DSCR) of 1.10x and if the DSCR drops below the said level, the entire surplus generated by the asset will be trapped in cash retention account. DSCR projected at P-90 generation stands comfortable, providing comfort.

Low O&M risk: The company has entered into a seven-year O&M agreement in October 2010 with Vestas Wind Technology (I) (P) Ltd. extendable up to 15 years. Later on, the company renewed the agreement rates in March 2019. The agreement includes services for operating and monitoring the performance of the equipment and maintenance. As per the agreement, post completion of free service period, the company is charged O&M charges at ₹0.25 crore per machine per annum with an escalation of 5% per annum for seven years. Thereafter, the escalation would be on cost-plus basis. Firm agreement for a longer tenor minimises the maintenance risk.

Well-established promoter group: GPWL is a part of The Genting Berhad group. The group is headquartered in the Wisma Genting in Kuala Lumpur, Malaysia. It comprises the holding company, Genting Berhad, its listed subsidiaries, Genting Malaysia Berhad, Genting Plantations Berhad, Genting Singapore Plc and Genting Energy Limited.
Genting Berhad is principally an investment holding and management company. The company was incorporated in 1968 and listed in 1971. The group is involved in leisure and hospitality, oil palm plantations, power generation, oil and gas, property development, life sciences and biotechnology activities, with operations spanning across the globe, including in Malaysia (the Group's country of origin), Singapore, Indonesia, India, China, the United States of America, the Bahamas, the United Kingdom and Egypt. The sponsors have given shortfall undertaking (covers O&M cost overrun, tax shortfall, shortfall in debt servicing, etc) as a support towards the project.

Industry outlook

India has an installed renewable capacity of around 110 GW (excluding large hydro) as on March 31, 2022, comprising solar power of 54 GW, wind power of 40 GW, small hydro of 5 GW and other sources including biomass of 11 GW. There has been a significant traction in solar power installations over the last few years and the cumulative solar power capacity has surpassed the installed wind power capacity, despite its late and slow start. The overall renewable energy installations have increased at a compounded annual growth rate (CAGR) of 17% from FY16 to FY22 (refers to the period April 1 to March 31). Over the years, the renewable energy industry has benefitted on account of Government's strong policy support, India's large untapped potential, presence of creditworthy central nodal agencies as intermediary procurers and improvement in tariff competitiveness. Going forward, with India setting up an ambitious target of achieving 450-GW renewable capacity by 2030, the regulatory framework is expected to remain supportive. However, the developers are expected to face challenges in the near term on account of rising cost of modules, turbines and other ancillary products along with imposition of basic custom duty on cells and modules from April 2022 onwards, which is expected to drive up costs and result in increase in bid tariffs for new projects. This apart, challenges for acquisition of land and availability of transmission infrastructure also remains a key bottleneck. However, the Indian renewable industry continues to be a preferred investment alternative for both domestic as well as foreign investors and is expected to post robust growth going forward as well, which results in CARE Ratings Limited (CARE Ratings) assigning a Stable outlook to the industry.

Liquidity: Strong

The liquidity profile of the company is robust with timely receipt of payments from GUVNL within an average of about 6 days during CY21 and 9MCY22 (refers to the period from January 01 to September 30), respectively. The company has been maintaining DSRA equivalent to requirement of 2 quarter interest obligation and redemption amounting to ₹25.31 crore as on September 30, 2022. Apart from refinance reserve of ₹2.65 crore, the company also has free cash reserve of ₹152.10 crore as on September 30, 2022.

Key rating weaknesses

Exposure to climatic, asset concentration and regulatory risks: Wind farms are exposed to the inherent risk of climate fluctuations leading to variations in the wind patterns, which affects the PLF. Also, the wind plant generation is seasonal in nature and generally experiences the maximum generation during April–September period. Wind projects are subject to loss in PLF owing to several meteorological phenomena collectively called wind shear. Magnitude of loss due to wind shear depends on site surrounding ground cover, trees, topographic features such as hills and valleys. Furthermore, all the assets are concentrated in Kutch District of Gujrat, exposing to asset concentration risk. Furthermore, the project is exposed to any adverse regulatory change in state policies in future, as the same might impact the profitability of the project.

Analytical approach: Standalone

Applicable criteria

[Infrastructure Sector Ratings](#)
[Rating Outlook and Credit Watch](#)
[Definition of Default](#)
[Wind Power Projects](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)

About the company

Incorporated on September 13, 2010, GPWL, a special purpose vehicle, promoted by Genting Berhad, Malaysia, operates a 91.8-MW wind-based power project at Jangi, Kutch District, Gujarat, India. The project consists of 51 wind turbine generators (Vestas V100) with capacity of 1.8 MW each, installed with 95 m hub height. The project was commissioned between August 2011 and December 2011.

Brief Financials (₹ crore)	CY20 (A)	CY21 (A)	H1CY22 (P)
Total operating income	63.3	71.2	40.1
PBILDT	44.0	49.7	33.8
PAT	0.9	2.7	13.1
Overall gearing (times)	1.34	1.23	1.08
Interest coverage (times)	1.76	2.14	3.14

A: Audited; P: Provisional; CY: Refers to period from January 01 to December 31

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating history for last three years: Please refer Annexure-2
Covenants of rated instruments/facilities: Detailed explanation of the rated instruments/ facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating assigned along with Rating Outlook
Debentures-Non-convertible debentures	INE135Y07013	August 08, 2017	9.25	August 08, 2032	219.50	CARE AA-; Stable

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non-convertible debentures	LT	219.50	CARE AA-; Stable	-	1)CARE AA-; Stable (03-Dec-21)	1)CARE AA-; Stable (19-Mar-21)	1)CARE AA-; Stable (20-Mar-20)

* Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
Debt Service Reserve Account	Redemption instalment and coupon payable for ensuing 6 months.
Cash Trap Triggers	All surplus cash-flows as per the waterfall mechanism would flow annually into the Surplus Account and be available for use at the discretion of the Issuer, provided all the conditions mentioned below are met: • DSCR (as per the audited financials of the Issuer) exceeds a level of [1.10x]. The DSCR covenant would be tested once every year (based on the audited financials of the preceding fiscal year). • DSRA is funded to the DSRA Required Amount. • RRA is funded to the RRA Required Balance. • Rating of the Debentures from both the Rating Agencies is at least A+ (SO). • No Event of Default is subsisting or would result from the relevant payment. • Receivable days as tested by the audited financials of the Issuer are < 180 (one hundred eighty) days.

Annexure-4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non-convertible debentures	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. This classification is available at www.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
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