

Greenko Renewable Power Private Limited

March 29, 2022

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	384.52 (Reduced from 389.00)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Revised from CARE A (Single A) and removed from Credit watch with Negative Implications; Stable outlook assigned
Total Facilities	384.52 (Rs. Three Hundred Eighty-Four Crore and Fifty-Two Lakhs Only)		

Details of instruments/facilities in Annexure 1

Detailed Rationale & Key Rating Drivers

The rating for the bank facilities of Greenko Renewable Power Private Limited (GRPPL) is based on the limited consolidation approach. Only those subsidiaries of GRPPL which are not part of any restricted group (RG) along with its standalone operations have been considered for evaluation of credit profile of the company. Hence, CARE has consolidated only Orange Sironj Wind Power Private Ltd (OSWPPL); whereas till last year, Orange Anantapur Wind Power Private Ltd (OAWPPL) was also getting consolidated as it was not part of any RG. However, OAWPPL has now become a part of an RG structure from December 2021.

The revision in rating for the bank facilities of GRPPL is on account of improvement in operational profile of the company as OAWPPL, which had an underlying wind power asset of 100 MW contracted with Southern Power Distribution Company of Andhra Pradesh Ltd (APSPDCL), has become a part of an RG structure and thereby is not being factored in CARE's analysis anymore. As a result of this development, there has been a significant improvement in the counterparty credit profile for the combined portfolio (having 219.5 MW capacity), with the share of Solar Energy Corporation of India Ltd (SECI) as a counterparty increasing from 63% to 91% of the capacity. Furthermore, the receivable cycle of the combined entity has moderated to 20-30 days as against around 270 days (considering the receivables of 100 MW A.P project) as on FY21 end. The ratings continue to derive comfort from the group's strong parentage, with majority of stake in Greenko group being held by Government of Singapore Investment Corporation (GIC) along with the presence of other reputed investors in Abu Dhabi Investment Authority (ADIA) and Orix Corporation (Orix), and group's established track record in owning & operating renewable energy assets. The ratings are favourably supported by the revenue visibility due to the presence of a long-term power purchase agreement (PPA) for a period of 25 years for the entire capacity, healthy coverage indicators as reflected by average DSCR of above 1.35x, and its adequate liquidity position.

The rating, however, continues to be constrained on account of the modest operational track record and lower than expected generation performance for the 200 MW SECI project which forms the core of the consolidated entity, along with the leveraged capital structure given the debt funded nature of capex. The rating also factors in the exposure of company performance to adverse variation in weather conditions given the single part tariff for the underlying projects and exposure to any adverse movements in interest rates.

CARE has removed the rating from 'Credit watch with Negative Implications' as the combined portfolio does not have any exposure to A.P state utilities post OAWPPL becoming a part of an RG structure.

Rating Sensitivities

Positive Factors: Factors that could lead to positive rating action/upgrade:

- Improvement in actual generation in-line with the designed energy P-90 levels on a sustained basis
- Significant reduction in leverage or improvement in debt protection metrics for the portfolio

Negative Factors: Factors that could lead to negative rating action/downgrade:

- Underperformance in generation of the overall portfolio thereby resulting in downward revision of average DSCR to below 1.2 times for the overall portfolio as per CARE's base case.
- Overall receivable cycle stretching beyond 120 days, thereby constraining the liquidity profile of the company

Detailed description of the key rating drivers

Key Rating Strengths

Strong parentage and operating track record of the Greenko group in renewable segment

GRPPL is a step-down subsidiary of Greenko Power Projects (Mauritius) Ltd, which in turn is a wholly owned subsidiary of Greenko Energy Holdings (GEH), the holding company of the Greenko group. The major shareholding in GEH is held by

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

GIC through its affiliate Cambourne Investment Pte Ltd, which is holding 55.5% in GEH, followed by Orix at 22.6%, ADIA at 13.9%, and balance 9% is held by the founders Mr Anil Kumar Chalamalasetty and Mr Mahesh Kolli through various entities.

The major shareholder, GIC, is fully involved in the group's strategy, including investment plans and oversight of operations, and continues to strengthen the company's risk management practices. GIC continues as a strategic long-term investor in the platform and its stake is expected to remain above 51% in the group. Moreover, GIC has the maximum board representation at the GEH level with 5 out of 14 members being GIC representatives.

Established track record of the group in owning & operating renewable energy assets

Since 2006, the group has built up assets through both organic as well as inorganic route. Over the years, the group has acquired assets (around 3 GW) primarily from Sun Edison Group (0.6 GW), Skeiron Group (0.4 GW), Orange Group (0.9 GW) and Orix (0.9 GW) among others. The group has an operational capacity of around 5.4 GW as of December 2021 vis-à-vis 4.4 GW as of December 2020. The increase in operational capacity has primarily been on account of the integration of around 0.9 GW of assets from Orix in March 2021. The operational portfolio is diversified in terms of technology and geography with the company being present in 14 Indian states. Wind (3.2 GW) comprises the major portion of the overall portfolio followed by solar (1.5 GW) and hydro (0.6 GW).

Revenue visibility on account of long-term PPA for entire capacity

The combined portfolio has low offtake risks owing to the presence of a long-term (25-year) PPA with SECI at a fixed tariff of Rs.2.64 per unit for 200 MW capacity under OSWPPL. For the balance 19.5 MW capacity under GRPPL, the company has a long-term (25-year) PPA with JVVNL at a fixed tariff of Rs.5.44 per unit. The long-term PPAs provide revenue visibility for the company. SECI is an intermediary counterparty and energy generated from this project is sold to distribution utilities, which are the ultimate off takers. SECI has signed Power Sale Agreements (PSA) with distribution utilities in Bihar and Haryana.

Relatively superior PPA

The counterparty credit risk for the project is low on account of SECI being the off taker for 91% of the combined capacity and having a strong credit profile. Moreover, the strengths for the project emanate on account of (i) PPA being with a strong counterparty, (ii) presence of LC mechanism, (iii) SECI having the right to regulate power to the PSA counterparty in case of an event of default, and (iv) SECI being a party to the tripartite agreement (TPA).

Presence of strong off taker for major capacity results in timely payments and mitigates counterparty credit risks

The presence of a strong intermediate counterparty like SECI for 91% of the capacity is expected to lead to timely realisation of payments under the PPA. Earlier, A.P state utility was the off taker for 31% of the capacity (100 MW) pertaining to OAWPPL, and it had been delaying payments since more than two years even on the lower tariff of Rs. 2.43/2.44 per unit thereby resulting in an elevated debtor position for the portfolio. However, the weighted average receivable days for the portfolio is between 20-30 days at present. The healthy collection cycle results in less amount of funds being blocked as debtors for the company and therefore ensuring satisfactory liquidity.

Comfortable debt protection metrics

GRPPL has relatively comfortable debt coverage indicators as reflected by the average DSCR of above 1.35x for the tenure of the term debt. Further, in-line with the sanctioned terms, the company has been maintaining two quarter DSRA for its 19.5 MW project and is in the process of creating two quarter DSRA for the 200 MW SECI project.

Stable industry outlook

India has an installed renewable capacity of nearly 105 GW (excluding large hydro) as on December 31, 2021, comprising solar power of 49 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. Over the years 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 high tariff competitiveness. Going forward, with India setting up an ambitious target of achieving 450 GW non-fossil fuel capacity by 2030, the regulatory framework is expected to remain supportive. However, 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 which will become effective from April 2022 and is expected to drive up costs and result in increase in bid tariffs for new projects. This apart, the 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.

Key Rating Weakness

Modest operational track record and lower-than-expected generation performance for 200 MW capacity

The 200 MW capacity under OSWPPL was commissioned in April 2019, and generation performance for this project have been lower than designed energy levels since commissioning, primarily due the initial stabilisation period along with lower generation in the wind segment in FY21, which was impacted because of lower wind speeds during the peak wind season.

However, the generation performance has witnessed improvement in the current year at the back of improvement in wind speeds during peak wind season.

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 and/or equipment quality. This in turn would affect its cash flows and debt servicing ability.

Leveraged capital structure along with exposure to interest rate risk

The capital structure is leveraged on account of the debt-funded capex incurred for setting up the projects. Subsequently the overall adjusted gearing of the portfolio stood at 4.72 times as on FY21 end (Networth has been adjusted for investments made in projects other than OSWPPL). Given the high amount of debt outstanding, CARE expects Debt/EBITDA to remain between 6.5-7.0x over the next two years. Given the leveraged capital structure, single-part nature of the fixed tariff in the PPA and floating interest rates, its profitability remains exposed to any increase in interest rates.

Liquidity: Adequate

As on December 2021 end, GRPPL had combined free cash and bank balance of Rs.84 crore. This apart, the company has created DSRA reserve for both projects i.e., Rs. 8.6 crore for GRPPL and Rs.18 crore for OSWPPL (balance DSRA of around Rs.45 crore is expected to be created from the surplus cash flows).

CARE expects the generation performance to remain broadly in line with the existing trends over the next couple of years. The internal accruals are expected to be adequate to service its debt obligations. As per CARE's base case, annual gross cash accruals (GCA) for FY23-FY24 are expected to be around Rs. 75 crore each year, as against annual repayments of Rs. 44 crore each year.

Analytical approach:

The rating is based on the limited consolidation approach. Only those subsidiaries of GRPPL which are not part of any restricted group (RG) along with its standalone operations have been considered for evaluation of credit profile of the company. Hence, CARE has consolidated only Orange Sironj Wind Power Private Ltd (OSWPPL); whereas till last year, Orange Anantapur Wind Power Private Ltd (OAWPPL) was also getting consolidated as it was not part of any RG structure. However, OAWPPL has now become a part of an RG structure from December 2021, and therefore the subsidiary is not being considered for analysis by CARE henceforth.

Applicable Criteria

[CARE's methodology for Infrastructure Sector Ratings](#)

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Criteria for Default Recognition](#)

[Rating Methodology: Wind Power Projects](#)

[CARE's Methodology for Private Power Producers](#)

[Financial Ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

GRPPL (erstwhile Orange Renewable Power Private Limited) was incorporated in October 2010 for setting up a 19.5 MW capacity wind power project in Pratapgarh District of Rajasthan. GRPPL had achieved Commercial Operation Date (COD) and commenced operations from March 2013. The entire power from the project is being supplied to JVVNL under a long-term PPA (25 years), at a tariff of Rs.5.44/Kwh.

GRPPL is a subsidiary of Orange Renewable Holding Pte Limited (ORHPL), which was previously fully owned by AT Holding Pte Ltd (ATH), Singapore. In October 2018, Greenko Group had acquired the entire stake of ATH in ORHPL. GRPPL at a consolidated level operates 907.2 MW of renewable energy assets spread across various states, with exposure to multiple states as well as central utilities. Out of the same, 219.5 MW under two projects are not a part of any restricted group (RG) as mentioned in the analytical approach above.

OSWPPL was incorporated in January 2011 for setting up a 200 MW capacity wind power project in the state of Tamil Nadu. OSWPPL had achieved Commercial Operation Date (COD) and commenced operations from April 2019. The entire power from the project is being supplied to SECI under a long-term PPA (25 years), at a tariff of Rs.2.64/Kwh.

Brief Financials (Rs. crore) – Combined	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	173.56	179.90	NA
PBILDT	162.42	165.86	
PAT	-19.48	-17.52	
Adjusted overall gearing (times)	4.32	4.72	
Interest coverage (times)	1.45	1.49	

A: Audited; NA: Not Available

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 instrument/facility: 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/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	September 2033	84.52	CARE A+; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	-	300.00	CARE A+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	84.52	CARE A+; Stable	1)CARE A (CWN) (15-Apr-21)	-	-	-
2	Non-fund-based - LT-Bank Guarantee	LT	300.00	CARE A+; Stable	1)CARE A (CWN) (15-Apr-21)	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

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

Sr. No	Name of Instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - LT-Bank Guarantees	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 instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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