India Ratings & Research
A Fitch Group Company

India Ratings Affirms GP Wind (Jangi)'s NCDs at 'IND AA-'/Stable

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India Ratings and Research (Ind-Ra) has affirmed GP Wind (Jangi) Private Limited's (GPWJ) non-convertible debentures (NCDs) as follows:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
NCDs	INE135Y07013	8 August 2017	9.25	8 August 2032	INR2,045 (reduced from INR2,255)	IND AA-/Stable	Affirmed

Analytical Approach: To review the rating, Ind-Ra continues to factor in the weak strategic linkages, and moderate legal and operational linkages between GPWJ and its ultimate holding company, Genting Berhad (Fitch Ratings Ltd: Issuer Default Rating: 'BBB'/Stable).

Key Rating Drivers

Firm PPA at Competitive Rate: GPWJ has signed a 25-year power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL) in 2011 at a fixed tariff of INR3.56kWh. According to the PPA terms, termination can be initiated only on the premise that the other party has committed a default. The PPA also highlights the must-run status of the project, under which the project shall not be directed to shut operations by GUVNL under any circumstances, except for force majeure events, which, in Ind-Ra's opinion, gives additional strength to GPWJ's credit profile.

Liquidity Indictor – Superior: As on 31 March 2023, GPWJ had maintained a debt service reserve (DSR) of INR148.8 million, equivalent to six months of debt service requirements, and a refinance reserve of INR33 million. Additionally, the company had cash/investments of INR1,529.4 million in different trust and retention accounts. These reserves will help the company tide over any contingencies, including the prevailing low plant load factors (PLFs) since 2020. This level of liquidity is not mandatory as per the transaction documents and GPWJ has confirmed that there will be no surplus repatriation to the sponsor in FY24 and GPWJ will distribute surplus only as dividend and not provide any loans or inter-corporate deposits from the surplus. While any tax-related payments could affect the coverage in later years, the company is likely to have built in adequate liquidity by then. The rating benefit from the presence of high internal liquidity and Ind-Ra will continue to monitor the surplus repatriation to the sponsor and liquidity level in GPWJ. Any deviation from the above representation and a reduction in the overall liquidity below 12 months' debt service equivalent will be a credit negative.

Comfortable Debt Structure: The NCDs will be amortised over 30 semi-annual structured payments, payable on 8 February and 8 August of each year. The features of the NCDs include a DSR (two quarters' principal and interest payment), refinance reserve, cash trap (if certain defined covenants are breached), standard waterfall mechanism, sponsor support undertaking by Genting Energy Limited (a wholly-owned subsidiary of Genting Berhad) and a letter of comfort by Genting Berhad. The cash trap triggers include a breach of financial covenant, the non-maintenance of the required reserve, the receivable days exceeding 180 and an event of default. The project is also required to build a refinance reserve as per the finance documents. The financial covenant for the NCDs is a minimum debt service coverage ratio (DSCR) of 1.10x. The DSCR was 1.24x in 2022 (2021: 1.47x), aided by the interest income on the bank deposits of GPWJ, though PLF during the year was lower yoy.

Low Counterparty Risk: GPWJ has received payments in about 10 days on an average after raising the invoice since March 2016. The credit period is 30 days under the PPA. GUVNL, the holding company for state-owned electricity utilities in Gujarat, benefits from low aggregate technical and commercial losses, stable subsidy receipts and minimal under-recovery in tariffs by the four distribution utilities held by it.

Financial and Operating Performance Weakened in 2022: GPWJ's revenue from the sale of electricity fell to INR656 million in 2022 (2021: INR711.7 million), led by a fall in PLF to 23.8% (25.2%). The PLF declined mainly because of a fall in the wind speed across India. As of 31 December 2022, the company reported INR29.99 million contingent liabilities in the financial statements related to income tax. The management expects the order from tax authority to be in favour of GPWJ. Ind-Ra considers high internal liquidity as an adequate mitigation for the contingent liabilities.

Linkages with Sponsor: While the legal and operational linkages are moderate, the strategic linkages were assessed to be weak linkages between GPWJ and Genting Berhad under Ind-Ra's Parent and Subsidiary Rating Linkage criteria.

Genting Berhad is a dominant player in the space for gaming and leisure in Singapore and Malaysia. The Genting group has provided support to GPWJ prior to the issue of rated NCDs, in the form of cash infusion as and when required, even to avoid covenant breaches. GPWJ shares monthly status reports with the group, and any challenges faced by GPWJ are highlighted in advance for suitable actions from the Genting group.

The NCDs benefit from a sponsor support undertaking from Genting Energy Limited for meeting up to a 15% increase in operations and maintenance (O&M) expenses from the budgeted amount in any year, as well as any tax liability arising solely from the accounting treatment of the mark-to-market gain or loss due to the unwinding of the hedges (US dollar-denominated loans is repaid). A letter of comfort from Genting Berhad has been provided to the debenture trustee, indicating its intent to continue its holding in GPWJ and manage GPWJ in such a manner that sufficient financial resources are maintained to meet payment obligations, as and when they fall due. Any support from the sponsor group will be subordinated to the NCDs. Any weakening of the links with Genting Berhad will entail a review of GPWJ's rating.

Moderate Operating Risk: The average machine availability and grid availability both remained above 98% in 2022. In FY19, GPWJ renewed its fixed-price, fixed-escalation O&M contract with Vestas Wind Technology India Private Limited, which also supplied wind turbine generators for the project. The contract includes an availability guarantee of 95% and a penalty associated with non-achievement of the same. The revised O&M contract will be valid up to 31 March 2024. Ind-Ra believes this risk is mitigated, to some extent, by the presence of the sponsor support undertaking to meet O&M expenses that are higher by up to 15% compared to the budgeted O&M expenses.

Volatility in Generation; Risk Mitigated Partially by Internal Liquidity: GPWJ has a satisfactory operational track record of over 10 years. The average PLF was about 26.5% during 2013-2022, with the lowest PLF observed in any calendar year standing at 22.9% (2020). The plant witnessed a lower-than-estimated PLF in 2022, mainly because of a fall in the wind speed across India. Though the PLF in 2022 was above P90 (23.3%), it did not reach the levels witnessed over 2012-2019.

The impact of any temporary yoy volatility in the PLFs will be assessed in conjunction with the internal liquidity maintained by GPWJ. The DSCR is comfortably above 1.20x (excluding interest income) during FY24-FY27 and can absorb moderate shocks to the PLF, which has been assumed to be 26.4% in FY24 (after degradation) for Ind-Ra’s base case projection. Ind-Ra will review the same in case the reason for lower wind speed is structural and the actual PLF continues to be much below 25% for successive years, implying an average PLF below 25% over the long-term.

Counterparty and Geographical Concentration Risk: The presence of only a single counterparty constrains the rating. Also, the lack of geographical diversification limits the project’s resilience against variations in generation and grid curtailment. Furthermore, the uncertainty in generation, which is inherent in wind projects, could affect the project.

Rating Sensitivities

Negative: Future developments that could, individually or collectively, lead to a negative rating action are:

-the annual debt service coverage reducing below 1.15x
-the receivables period exceeding 60 days
-any further weakening of the linkages between GPWJ and the Genting group
-a significant weakening of the credit profile of the parent
-a fall in the internal liquidity below 12 months of debt servicing

Company Profile

GPWJ is a special purpose vehicle that operates a 91.8MW wind power project in Kutch, Gujarat. The project has been operating since December 2011. GPWJ has not availed any working capital facility and NCDs are the only outstanding external debt.

FINANCIAL SUMMARY

Particulars (INR million)	2022	2021
Operating income	656.0	711.7
Total income	744.6	807
Operating expenditure	226.2	214.8
EBITDA	518.4	592.2
EBITDA margin %	70	73
Finance cost	213.7	231.8
Interest coverage (x)	2.4	2.6
Gross debt/EBITDA (x)	4.2	4.0
Cash & cash equivalents	1839.0	1,706.7
Source: GPWJ		

Solicitation Disclosures

Additional information is available at 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.

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Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	27 May 2022	4 June 2021	5 June 2020
NCDs	Long-term	INR2,045	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable

Complexity Level of Instruments

Instrument	Complexity Indicator
NCDs	Low

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

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APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage

Rating Criteria for Infrastructure and Project Finance

The Rating Process

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