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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:

Details of Instruments

Instrument Type	ISIN	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch	Rating Action
Non-convertible debentures*	-	-	-	-	INR1,830 (reduced from INR2,045)	IND AA-/Stable	Affirmed

*Details in annexure

Analytical Approach

To review the rating, Ind-Ra continues to take a standalone view of GPWJ and factored in the moderate strategic, legal and operational linkages between GPWJ and its ultimate holding company, Genting Berhad (Fitch Ratings Ltd: Issuer Default Rating: 'BBB'/Stable).

Detailed Rationale of the Rating Action

The rating affirmation reflects the superior liquidity position in the project as on date, which Ind-Ra believes would sustain in the project until 2027, owing to limitations for dividend distribution because of the regulatory restrictions, as the project has accrued negative equity reserves and surplus. Further, beyond 2027, when the project is expected to be eligible for the distribution of surplus, the management stated that any annual distribution will be limited to the reserves exceeding the equity capital infused, and such amount is assessed to be INR250 million-300 million per annum. The management also stated that liquidity in the project will not be distributed, beyond the annual estimated amount, either in the form dividend, capital reduction, buyback of shares and any other means. The rating draws comfort from strong counterparty profile, and established promoter group. However, the rating is constrained by generation risks owing to wind resource availability and wake effect.

List of Key Rating Drivers

Strengths

- Linkages with sponsor
- Long-term power purchase agreement (PPA) with strong counterparty
- Superior liquidity
- Low counterparty risk

Weaknesses

- Operational underperformance
- Moderate debt structure
- Moderate operating risk

Detailed Description of Key Rating Drivers

Linkages with Sponsor: Genting Berhad is a dominant player in the gaming and leisure segment 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.

Long-term PPA with Strong Counterparty: GPWJ signed a 25-year PPA with Gujarat Urja Vikas Nigam Limited (GUVNL) in 2011 at a fixed tariff of INR3.56/kWh. According to the PPA terms, a 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.

Superior Liquidity: GPWJ's liquidity stands at around 60 months of debt servicing as on date, 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 CY23 and GPWJ will distribute the surplus only as dividend, subject to the project turning positive equity reserves and surplus. The project will also not provide any loans or inter-corporate deposits from the surplus as per the management. The rating benefits 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.

Low Counterparty Risk: GPWJ has received payments in about 10 days on 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.

Operational Underperformance: GPWJ's generation performance declined in 2023 due to cyclone Biparjoy with a plant load factor (PLF) of 21.4% for the trailing 12 months ending February 2024 (2023: 22.2%; 2022: 23.3%) as against P90 of 23.3%. As a result, its revenue declining to INR624.2 million in 2023 (2022: INR656 million; 2021: INR711.7 million). The project also witnessed deterioration of the PLF levels over the years since its commercial operations date (2020-2023: about 23.5%; 2019: about 26%; 2012: about 30%). The under-performance during the recent past was mainly due to low resource availability because of the wake effect on the project.

Moderate 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 debt service reserve equivalent to 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 requires to build and maintain 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 1.29x in 2023 (2022: 1.24x; 2021: 1.47x), aided by the interest income on the bank deposits of GPWJ, though PLF during the year was lower yoy.

Moderate Operating Risk: While the average grid availability stood above 99% for the project over 2022-2023. The average annual machine availability declined in 2023 to 87% (2022: 98.62%), due to the damages caused by cyclone Biparjoy. In April 2024, GPWJ renewed its fixed-price, fixed-escalation O&M contract with Vestas Wind Technology India Private Limited, which 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 2029. 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 up to 15% higher than the budgeted O&M expenses.

Liquidity

Superior: As of February 2024, GPWJ maintained a debt service reserve of INR154.2 million, equivalent to six months of debt service requirements, and a refinance reserve of INR42.5 million. Additionally, the company had cash/investments of INR1,470.1 million in different trust and retention accounts. These reserves will help the company tide over any contingencies, including the prevailing low PLFs since 2020.

Rating Sensitivities

Positive: Operating and financial performance remaining better than Ind-Ra's estimates, with the forward-looking average DSCR exceeding 1.25x, on a sustained basis, could lead to positive rating action.

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

- operating and financial performance being weaker than Ind-Ra's base case estimates,
- 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 internal liquidity below 12 months of debt servicing

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on GPWJ, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

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.

KEY FINANCIAL INDICATORS

Particulars (INR million)	2023	2022
Operating income	624.22	655.98
Total income	750.80	744.58
Operating expenditure	295.80	226.20
EBITDA	328.42	429.78
EBITDA margin (%)	52.6	65.5
Finance cost	200.60	215.30
Interest coverage (x)	1.64	2.00
Gross debt/EBITDA (x)	5.30	4.57
Cash and cash equivalents	1,775.30	1,839.00
Source: GPWJ; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating type	Rated Limits (million)	Rating	21 April 2023	27 May 2022	4 June 2021
Non-convertible debentures	Long-term	INR1,830	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low

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

Annexure

Instrument Type	ISIN	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch
NCDs	INE135Y07013	8 August 2017	9.25	8 August 2032	INR1,830	IND AA-/Stable

Source: NSDL, GPWJ

APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage

Rating Criteria for Infrastructure and Project Finance

Evaluating Corporate Governance

The Rating Process

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