# India Ratings Assigns GP Wind (Jangi)'s NCDs Final 'IND AA-(SO)'/Stable

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By Divya Charen C

India Ratings and Research (Ind-Ra) has assigned GP Wind (Jangi) Private Limited's (GPWJL) non-convertible debentures (NCDs) a final rating 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 | INR3,000 | IND AA-(SO)/Stable | Assigned |

The final rating is assigned following the receipt of no dues certificate from the existing lenders and execution of financing documents (debenture trustee deed, trust and retention agreement, sponsor support undertaking and letter of comfort), conforming to the information already received by Ind-Ra.

**PROJECT PROFILE**

GPWJ is a special-purpose vehicle that operates a 91.8MW wind power project in Bhachau Taluk, Kutch, Gujarat, India. The project has been operating since December 2011. GPWJ has prepaid the entire foreign currency loans, and NCDs are the only outstanding external debt. GPWJ is an indirect wholly owned subsidiary of Genting Berhad (Fitch Ratings Ltd: Issuer Default Rating: 'A-'/Stable).

**FINANCIAL SUMMARY**

| Parameters | 2016 | 2015 |
|---|---|---|
| Revenue from operations and other income (INR million) | 924 | 953 |
| Operating expenses (INR million) | 207 | 213 |
| EBIDTA (INR million) | 717 | 740 |
| EBIDTA margin (%) | 78 | 78 |
| Source: GPWJ | | |

## KEY RATING DRIVERS

**Firm PPA at Competitive Rate**: GPWJ has signed a 25-year power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUNVL) at a fixed tariff of INR3.56kWh. The tariff being is nearly the same as the average power purchase cost of Gujarat distribution utilities approved by Gujarat Electricity Regulatory Commission, excluding transmission and other charges for FY18. The competitive PPA tariff provides comfort that utilities will prefer buying power from the project. Also, the tariff is close to the wind tariff discovered at INR3.46kWh in the recent reverse auction. According to the PPA terms, termination can be initiated only on the premise that other party has committed default.

**Moderate Volume Risk**: GPWJ has a consistent operational track record of over five and half years. The average plant load factor (PLF) for 2011-2016 is 27.6%, with the lowest PLF observed in any past year standing at 26.2%. Garrad Hassan India Private Limited has undertaken a performance diagnostic study for GPWJ and arrived at P90, P75 and P50 PLF estimates of 23.3%, 24.6% and 25.9%, respectively. The study used the actual 2014-2016 PLF, which intrinsically considers the wake effect (loss in generation due to adjacent wind farms). The plant has been performing above the P50 PLF estimate. Lack of geographical diversification limits resilience against variations in generation and grid curtailment, but a low breakeven PLF addresses the risk to some extent. PLF for January-October 2017 was 30.7% (January-October 2016: 29.1%).

**Weak-Moderate Linkages with Sponsor**: There are weak-moderate legal and strategic linkages and moderate operational linkages between GPWJ and Genting Berhad, the ultimate holding company, as assessed under the 'Parent and Subsidiary Rating Linkage' criteria. Ind-Ra has notched up the standalone rating of GPWJ to arrive at the bonds' rating under the said 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 in the form of cash infusion, when needed in the past, even to avoid covenant breaches. The group has a track record of supporting its other energy companies when needed.

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 bonds benefit from an undertaking from Genting Energy Limited (a wholly owned subsidiary of Genting Berhad) for meeting up to 15% increase in operations and maintenance (O&M) expenses from the budgeted amount in any year, as well as for meeting any tax liability arising solely from the accounting treatment of the mark to market gain or loss due to the unwinding of the hedges (present US dollar-denominated loans are hedged). 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 such 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 bonds. Any weakening of linkages with Genting Berhad will entail a review of GPWJ's bond rating.

**Low Counterparty Risk**: GPWJ has been receiving payments within 10 days of billing since March 2016, though a credit period of 30 days is allowed under the PPA. GUNVL, 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. According to GUVNL's last reported financials, consolidated revenue was INR395 billion and EBIDTA was INR60 billion in FY16, with debt/EBIDTA standing at 2.74x.

**Low Operating Risk**: High machine availability and low deviation from the power curve over the past five years indicate a low operating risk. GPWJ has signed a fixed-price, fixed-escalation operations and maintenance 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 not achieving the same. GPWJ is in negotiations over the O&M contract to be signed in 2019.

**Debt Structure**: The bonds amortise in 30 semi-annual structured payments. The features of the bonds include a debt service reserve (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 and a letter of comfort by Genting Berhad. The plant exhibits a comfortable debt service coverage ratio at P90 PLF. Additional comfort is derived from the actual PLF being so far higher than P50.

## RATING SENSITIVITIES

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

- in any event of annual debt service coverage reducing below 1.15x
- increasing receivables
- a weakening of the linkages between GPWJ and the Genting group

## RATING HISTORY

| Instrument Type | Current Rating/Outlook | | | Historical Rating/Outlook |
|---|---|---|---|---|
| | Rating Type | Rated Limits (million) | Rating | 28 July 2017 |
| NCDs | Long-term | INR3,000 | IND AA-(SO)/Stable | Provisional IND AA-(SO)/Stable |

## COMPLEXITY LEVEL OF INSTRUMENTS

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

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## Applicable Criteria

Rating Criteria for Infrastructure and Project Finance

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