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

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	INR2,255 (reduced from INR2,450)	IND AA-/Stable	Affirmed

Analytical Approach: To arrive at 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'/Negative).

Key Rating Drivers

Firm PPA at Competitive Rate: GPWJ signed a 25-year power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Limited in 2011 at a fixed tariff of INR3.56kWh. The tariff is close to the average power purchase cost of INR3.82/kWh for Gujarat distribution utilities approved by the Gujarat Electricity Regulatory Commission, excluding the transmission and other charges for FY22. According to the PPA terms, termination can be initiated only on the premise that the other party has committed a default.

Liquidity Indictor – Superior: As on 4 May 2022, GPWJ maintained a debt service reserve of INR163.4 million, equivalent to six months of debt service requirements, and a refinance reserve of INR25.83 million. Additionally, the company had cash/investments of INR1,366.59 million in different accounts of trust and retention accounts. These reserves would help the company tide over any contingencies, including the prevailing low plant load factor (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 FY23. While any tax-related payments could affect the coverage in later years, the company is likely to have built in adequate liquidity by then. Ind-Ra will continue to monitor the surplus repatriation to the sponsor and liquidity level in the GPWJ.

Comfortable Debt Structure: The bonds would be amortised over 30 semi-annual structured payments, payable on 8 February and 8 August of each year. 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 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, 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 DSCR of 1.10x. The DSCR was 1.47x in Calender Year (CY) 2021 (2020: 1.16x), aided by the actual PLF of 25.2% and the interest income on the bank deposits of GPWJ.

Low Counterparty Risk: GPWJ has been receiving payments within the due date since March 2016. The credit period is 30 days under the PPA. Gujarat Urja Vikas Nigam, 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.

Improved Financial and Operating Performance: GPWJ's revenue from the sale of electricity increased to INR711.7 million in CY 2021 (2020: INR633 million; 2019: INR797 million), while its PLF improved in CY 2021

(25.2%) compared to 2020 (22.9%), owing to improvement in wind resource and machine and grid availability above 98% in 2021.

Weak-to-Moderate Linkages with Sponsor: There are weak strategic linkages (reassessed from weak to moderate), and moderate legal and operational linkages between GPWJ and Genting Berhad, 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. Strategic linkage has been revised to weak as the group has not made any new investment in renewable sector till date.

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 as and when required, 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 NCDs benefit from an sponsor support undertaking from Genting Energy for meeting up to 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 bonds. Any weakening of the links with Genting Berhad will entail a review of GPWJ's bond rating.

Moderate Operating Risk: In CY 2021, the machine availability was over 98% (2020: 96%) bettered by installation of copper caps on most of the turbines to reduce impact of lightning incidents. 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, which would be valid up to 31 March 2024, has led to higher-than-envisaged O&M expenses. Nevertheless, Ind-Ra believes the 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.

Moderate Volume Risk: GPWJ has a satisfactory operational track record of over ten years. The average PLF was about 27.1% during 2012-2021, with the lowest PLF observed in any calendar year standing at 22.9% (2020). The plant witnessed a lower-than-anticipated PLF in 2020 mainly because of a fall in wind speed across India. In CY21, GPWJ's PLF (25.2%) has improved but has not reached the levels witnessed in 2012-2019. 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 impact of any temporary volatility in PLFs yoy will be assessed in conjunction with the internal liquidity maintained by GPWJ. The DSCR is comfortably above 1.20x (excluding interest income) during FY23-FY27 and can absorb moderate shocks to the PLF, which has been assumed to be 26.3% (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
-weakening of the linkages between GPWJ and the Genting group
-significant weakening of the credit profile of the parent
-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 RG1, 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.

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)	**CY 2021**	**CY 2020**
Operating income	711.7	632.7
Total income	807.0	739.9
Operating expenditure	214.8	192.6
EBITDA	592.2	547.3
EBITDA margin %	73.4%	74.0%
Finance Cost	231.8	250.0
Interest Coverage (x)	2.6	2.2
Gross Debt/EBITDA (x)	4.0	4.6
Cash & cash equivalents	1,706.7	1,560.4
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.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Rated Limits (million)	Rating	04-June-2021	05-June-2020	16-September-2019	05-June-2019	16-May-2018
NCDs	Long-term	INR2,255	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND AA-(SO)/Stable	IND AA-(SO)/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.

Contact

Primary Analyst
Vinitha Arunachalam
Analyst
India Ratings and Research Pvt Ltd
Harmony Square 3rd Floor, Door No. 48 & 50 Prakasam Street T Nagar Chennai – 600017
044 43401738
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Bharath Kumar Reddy A
Senior Analyst

Chairperson
Vishal Kotecha
Director
+91 22 40356136

Media Relation
Ankur Dahiya
Manager – Corporate Communication
+91 22 40356121