

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

February 17, 2022 | Mumbai

Jodhpur Wind Farms Private Limited

Rating upgraded to 'CRISIL AA+(CE)/Stable'

Rating Action

Rs.300 Crore Non Convertible Debentures	CRISIL AA+ (CE) /Stable (Upgraded from 'CRISIL AA(CE)/Positive')
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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the non-convertible debentures (NCDs) of Jodhpur Wind Farms Private Limited (JWFPL) to '**CRISIL AA+(CE)/Stable**' from '**CRISIL AA(CE)/Positive**'.

The upgrade reflects similar rating action on the bank facilities and debt instruments of parent Torrent Power Ltd. (TPL) to '**CRISIL AA+/Stable/CRISIL A1+**' from '**CRISIL AA/Positive/CRISIL A1+**'.

The rating on the NCDs is based on the strength of the unconditional and irrevocable corporate guarantee from JWFPL's parent, Torrent Power Ltd. The guarantee covers the principal, interest and other monies payable on these NCDs. The payment mechanism is administered by the debenture trustee to ensure timely payment of coupon and redemption on respective scheduled due dates. Any adverse movement in the credit risk profile of the guarantor and non-adherence to the payment mechanism are key rating sensitivity factors. (Refer to Any other information section for 'Payment Mechanism for NCDs').

Operational performance for fiscal 2021 was impacted due to low wind speeds witnessed across the industry, resulting in average plant load factor (PLF) falling from 33.19% in fiscal 2020 to 27.49% in fiscal 2021. However, the operational performance improved during the initial nine months of fiscal 2022 with average PLF improving to 33.25% from 30.57% during the same period in fiscal 2021. CRISIL Ratings expects JWFPL's debt service coverage ratio (DSCR), with P-90 PLF and tariff of Rs 3.74 per unit, to remain adequate.

The 'Stable' outlook reflects the likelihood that profitability of the guarantor (TPL) will continue to be strong while net leverage may sustain below 2.6-2.8 times.

Analytical Approach

CRISIL Ratings has applied its criteria on rating instruments backed by guarantees. The (CE) suffix reflects the payment structure, which is designed to ensure full and timely payment to lenders on account of the corporate guarantee by TPL.

Key rating drivers & detailed description

Strengths:

- **Unconditional and irrevocable corporate guarantee from the parent:** The NCDs have an unconditional, irrevocable, continuing corporate guarantee from TPL. JWFPL is a 100% subsidiary of TPL, and the project cost was entirely funded by the parent initially. TPL also exercises managerial control and provides technical inputs to the entity.
- **Strong revenue visibility and low offtake risk:** JWFPL's 20-year power purchase agreement (PPA) with Gulbarga Electricity Supply Company (GESCOM), with an option to extend the PPA to 25 years, provides revenue visibility due to an assured offtake at Rs 3.74 per unit for the entire power generated. While the NCDs have door-to-door maturity of 5 years, refinancing risk is mitigated by the long-term PPA with GESCOM.
- **Adequate debt service metrics and liquidity:** The company's debt service coverage ratio, with P-90 plant load factor (PLF) and tariff of Rs 3.74 per unit, will remain adequate. Further, the payment mechanism for the NCDs ensures timely debt servicing, which is on an annual basis.

Weaknesses:

- **Exposure to counterparty credit risk:** JWFPL remains vulnerable to the risk of delayed payments by a moderate counterparty. GESCOM has made payments with an average delay of about 5.7 months since commissioning. Poor financial health of state electricity distribution companies and lack of structural reforms in the sector continue to pose risk of increased delays in payments.
- **Susceptibility to risks inherent in operating wind energy assets:** Variation in wind speed and pattern could reduce the operating PLF, thus impairing the project's debt-servicing ability.

Liquidity: Strong

Strong liquidity is supported by the credit enhancement available in the form of an unconditional and irrevocable corporate guarantee by TPL. The parent is likely to provide financial support in the event of an exigency.

Outlook: Stable

JWFPL should benefit over the medium term from its stable and adequate PLF, along with managerial, technical and financial support from parent, TPL.

Rating Sensitivity Factors

Upward Factors:

- Improved credit risk profile of TPL and upgrade of one notch in its rating

Downward Factors:

- Deterioration in the credit risk profile of TPL and downgrade of one notch in its rating
- Non-adherence to the terms of the transaction structure or payment mechanism

Adequacy of credit enhancement structure

The rating on JWFPL's NCDs reflect the unconditional and irrevocable guarantee from TPL. CRISIL Ratings understands that the parent would take measures to monitor the cash flow of JWFPL to ensure timely servicing of debt (principal, interest and other monies payable on the guaranteed debt facility).

Unsupported ratings: CRISIL AA

CRISIL Ratings has introduced the 'CE' suffix for instruments having explicit credit enhancement feature in compliance with the Securities and Exchange Board of India's circular dated June 13, 2019.

Key drivers for unsupported ratings

For arriving at the unsupported rating, CRISIL Ratings has considered the standalone business and financial risk profiles of JWFPL. CRISIL Ratings has applied its parent notch-up framework to factor in the extent of support available to JWFPL from TPL.

About the company

JWFPL was incorporated in 2017 and is currently a 100% subsidiary of TPL. JWFPL has implemented a 60-megawatt (MW) wind power project in Zalki, Kalaburgi district of Karnataka. It has a 20-year PPA with GESCO (renewable for a further 5 years), at a fixed tariff of Rs 3.74 per unit. The project was commissioned on March 28, 2018, within the scheduled commercial operation. The operation and maintenance for the project is being carried out by Siemens Gamesa Renewable Power Pvt Ltd.

About the Guarantor

TPL is in the power generation and distribution business. It is a distribution licensee in Ahmedabad, Gandhinagar, Surat, Dahej SEZ and Dholera SIR; and is the distribution franchisee for Bhiwandi, Agra and Shil, Mumbra and Kalwa (SMK). Its power generation plants are in Sabarmati (AMGEN, a 362-MW coal-based station) in Ahmedabad, Surat (1,147.5 MW gas-based SUGEN plant with 382.5 MW expansion), and Dahej (1,200 MW gas-based combined cycle DGEN power plant). The renewable portfolio includes 49.6 MW wind power plant (WPP) at Lalpur, 51 MW solar power plant at Charanka, 252 MW Suzlon WPP at Kutch and Bhavnagar, 50.9 MW WPP at Mahidad, and 87 MW GENSU solar power plant at Surat (all in Gujarat). The company also has a 120 MW (60 MWX2) WPP in Karnataka and 126 MW (63 MWX2) WPP in Maharashtra through wholly owned subsidiaries; and a 50 MW (25 MWX2) WPP in Kutch through associate company. TPL is implementing 515 MW wind and solar projects.

Key Financial Indicators

Particulars	Unit	2021	2020
Revenue	Rs Crore	54.03	65.43
Profit After Tax (PAT)	Rs Crore	0.38	7.27
PAT Margins	%	0.71	11.11
Debt/ networth	Times	2.70	2.05\$
Interest coverage	Times	2.25@	2.30#

#Considering finance cost on only bank loan

\$Considering only bank debt;

@Considering only external debt

List of covenants

- The guarantor shall ensure that its debt to equity ratio (standalone basis) shall not exceed 2.33x
- JWFPL not to raise incremental debt (secured or unsecured), and create any charge on its assets, without permission from NCD holders, except in following cases:
 - Debt for refinancing of NCDs
 - Promoter/ guarantor's loan to JWFPL
- Any other debt (including working capital debt) subject to debt to equity ratio of JWFPL not exceeding 4x.

Any other information:

Payment mechanism for NCDs:

Particulars	Timeline
Timeline for JWFPL to deposit the amount in debenture payment account	T-7 business days
Timeline for guarantor to deposit the amount, in case JWFPL fails to deposit the amount	T-2 business days
Scheduled due date for payment of coupon and redemption as per agreement	T day

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity

levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Complexity Level	Rating assigned with outlook
INE03IQ08017	NCD series 1A	13-Nov-2020	7.00%	13-Nov-2023	100	Simple	CRISIL AA+ (CE)/Stable
INE03IQ08025	NCD series 1B	13-Nov-2020	7.00%	13-Nov-2024	100	Simple	CRISIL AA+ (CE)/Stable
INE03IQ08033	NCD series 1C	13-Nov-2020	7.00%	13-Nov-2025	100	Simple	CRISIL AA+ (CE)/Stable

Annexure - Rating History for last 3 Years

		Current		2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT		--		--	21-01-21	Withdrawn	11-11-20	CRISIL AA-/Stable	12-04-19	CRISIL A+/Stable	--
			--		--		--	04-11-20	CRISIL AA-/Stable		--	--
			--		--		--	10-01-20	CRISIL AA-/Stable		--	--
Non Convertible Debentures	LT	300.0	CRISIL AA+ (CE) /Stable		--	02-07-21	CRISIL AA (CE) /Positive	11-11-20	CRISIL AA (CE) /Stable		--	--
			--		--	21-01-21	CRISIL AA (CE) /Stable	04-11-20	Provisional CRISIL AA (CE) /Stable		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Criteria for rating instruments backed by guarantees
Criteria for rating wind power projects
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support

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