Fitch Affirms Sindicatum's Notes at 'AA-'

Fitch Ratings - Singapore - 08 January 2020:

Fitch Ratings has affirmed the 'AA-' rating on Sindicatum Renewable Energy Company Pte. Limited's guaranteed green bonds.

The bonds were issued in two tranches - INR951.1 million of 8.6% senior notes due 2023 and INR1.59 billion of 9.35% senior notes due 2025. The rating on the notes reflects the irrevocable and unconditional guarantee from GuarantCo Ltd. (Insurer Financial Strength Rating AA-/Stable). The guaranteed green bonds are denominated in Indian rupees but the coupon and the principal are settled in US dollars using the exchange rate from six business days prior to the relevant payment date.

Key Rating Drivers

Guarantee from GuarantCo: The guarantee covers 100% of the principal and interest due on the notes, subject to the guarantor's option to redeem the notes in certain circumstances. GuarantCo is part of the Private Infrastructure Development Group and is 89% indirectly owned and sponsored by five development agencies of G12 countries.

Advance Warning System: The notes' structure has an early warning system in place, whereby Sindicatum will notify GuarantCo in advance if it will not make any payment due. In any case, the fiscal agent, which receives upcoming payments five business days in advance under the structure, will send a notice of missed payment to GuarantCo if there is a missed payment event as defined in the note indenture. These measures will help with timely payments to the noteholders in the case of a missed payment event.

Sindicatum's Credit Profile Not Considered: The standalone credit profile of Sindicatum is not a consideration in the ratings of the notes, as the notes will remain fully guaranteed by GuarantCo even in an event of a Sindicatum bankruptcy. Sindicatum is a growth-oriented independent renewable power producer with operations in south and south-east Asia.

Derivation Summary

The rating on the notes is based solely on GuarantCo's irrevocable and unconditional guarantee covering 100% of the principal and interest due on the guaranteed green bonds.

RATING SENSITIVITIES

Developments That May, Individually or Collectively, Lead to Positive Rating Action
- An upgrade of GuarantCo's Insurer Financial Strength Rating

Developments That May, Individually or Collectively, Lead to Negative Rating Action

- A downgrade of GuarantCo's Insurer Financial Strength Rating

For GuarantCo's rating, the following sensitivities were outlined by Fitch in its Rating Action Commentary of 8 May 2019:

Fitch views an upgrade of GuarantCo's rating as unlikely.

GuarantCo's rating would be downgraded should the UK sovereign rating be downgraded by more than one notch. A downgrade may also result from a weakened capital position evidenced by a net par-to-capital ratio, including callable capital and the stand-by facility, exceeding 3x. Any reduction in the commitment by the sponsors to GuarantCo, possibly as a result of a change in government policy priorities could also trigger a downgrade.

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<th>ENTITY/DEBT</th>
<th>RATING</th>
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<td>Sindicatum Renewable Energy Company Pte. Limited</td>
<td>LT</td>
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Additional information is available on www.fitchratings.com

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Applicable Criteria

Country-Specific Treatment of Recovery Ratings Criteria (pub. 18 Jan 2019)  
Corporate Rating Criteria (pub. 19 Feb 2019)  
Corporates Notching and Recovery Ratings Criteria (pub. 14 Oct 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form  
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