

Press Release

RattanIndia Power Limited

January 30, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 1,160.00 crore*
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 1,160.00 crore bank facilities of RattanIndia Power Limited (RIPL). The outlook is '**Stable**'.

Rationale for ratings assigned

The ratings assigned derive comfort from successful completion of One Time Settlement (OTS), demonstrated support by sponsor through infusion of funds in the form of inter-corporate deposits, extensive experience of management, completed status of project, presence of off-take agreement for its entire capacity (net of auxiliary consumption), availability of domestic coal for nearly entire fuel requirement through fuel supply agreement (FSA)/ linkages, improved project competitiveness and improvement in financial position of the company post OTS. The rating also takes into account the presence of ring-fenced cash flow mechanism for Phase-II of RIPL's Amravati Thermal Power Plant as prescribed by the lenders.

These rating strengths are partially offset by considerable amount of repayment obligations, high amount of account receivables, lower than anticipated demand in H1FY2021, counterparty credit risk as discoms are at present facing liquidity constraints and intensive working capital operations of the company on account of high debtors' days.

Analytical Approach

Acuité has considered the standalone view of business and financial risk profiles of RIPL to arrive at this rating.

About the Company

RIPL was incorporated in the year 2007 as Sophia Power Company Limited, originally as a part of Indiabulls group. The company changed its name to Indiabulls Power Limited after its listing on NSE as well as BSE in the year 2009. In 2014, subsequent to the group split, the company along with Indiabulls Infrastructure and Power Limited was carved out of the group and renamed as RattanIndia Power Limited. RIPL is promoted by Mr. Rajiv Rattan who is one of the co-founders of Indiabulls Group and currently holds the Chairmanship of RattanIndia Group.

The company operates Amravati Thermal Power Project, located at Amravati district, Maharashtra with a total power generation capacity of 2,700 MW comprising of two phases of 1,350 MW each. Phase-I of the power plant (270 MW x 5 units) was commissioned in March 2015. Phase-II is at present stalled due to pertaining uncertainties associated with Power Purchase Agreement (PPA). However, it would be treated as separate account owing to the presence of ring-fenced mechanism prescribed by the lenders for the said project.

Key Rating Drivers

Strengths

- **Successful implementation of binding settlement through restructuring plan and improved financial position of the company**

RIPL achieved OTS of its outstanding debt in December 2019 with the consortium of a total of 12 banks and financial institutions, hereinafter referred to as "Erstwhile Lenders" led by Power Finance Corporation Limited, enabling the company to ward-off challenges of stressed financial position while at the same time achieving a substantial reduction in the humungous amount of external debts from Rs. 8,649.48 crore (inclusive of interest) prior to effectuation of OTS.

RIPL made an upfront payment of Rs. 50.00 crore and issued securities to the tune of Rs. 746.17 crore to the erstwhile lenders. RR Infralands Private Limited (RRIPL), one of the promoters infused funds in the form of compulsory convertible debentures (CCDs) and inter-corporate deposits (ICDs) amounting to a total of Rs. 1,278.5 crore.

The balance Rs. 6,575.16 crore of debt was assigned to a set of new lenders including international stressed assets funds Goldman Sachs and Varde Partners through Aditya Birla Asset Reconstruction Company Limited (ABARC), of which ABARC subscribed to the equity shares of RIPL of Rs. 805.72 crore and waived-off Rs. 1,654.58 crore considering the amount as unsustainable portion of debt. Remaining debt of Rs. 4,114.86 crore is structured as Facility A (Term Loan) of Rs. 2,665.00 crore, Facility A1 (Funded-Interest Term Loan) of Rs. 334.46 crore, Facility B (Non-Convertible Debentures) of Rs. 665.50 crore and Facility C (Unsecured loan) of Rs. 450.00 crore. Facility A1 which was in the form of funded-interest term loan has already been paid off in current financial year. Additionally, Facility A has been converted into Non-Convertible Debentures (NCDs) with a concession in the existing interest rate by 1.25 per cent in January 2021. Furthermore, the facilities provided by ABARC to some extent are secured by the pledge of equity shares of RIPL held by RattanIndia Infrastructure Limited (RIIL) and RRIPL, while some facilities have charge over all ICDs by sponsor, i.e. RRIPL.

Post-restructuring, the gearing levels of RIPL stood at 1.16 times and total outside liabilities to total net worth (TOL/TNW) of 1.49 times as on March 31, 2020. Improved profitability in FY2020 lead to significant improvement in debt service coverage indicators marked by interest coverage ratio (ICR) of 2.57 times for FY2020 as against (1.38) times for FY2019 and debt service coverage ratio (DSCR) of 1.28 times for FY2020 as against (0.66) times for FY2019. There is quarterly debt obligations of Rs. 125 crore against "Facility A". Acuite derives comfort from the pre-payment made against Facility A to the tune of Rs. 200.00 crore through cash sweep in January 2020 and its recent conversion into NCDs at a concessional rate of interest. Other facilities have longer tenure and are to be repaid in bullet payments.

- **Completed status of the project**

RPL operates a 1,350 MW (270 x 5) coal-based thermal plant at Amravati, Maharashtra. Unit-I achieved the COD in June, 2013, Unit-II achieved the COD in March 2014, Unit-III achieved COD in February 2015, Unit-IV and Unit-V achieved COD in March 2015. Phase-I is fully operational and the required approvals, as well as agreements, are in place leading to zero project execution risk.

Phase-II of the project is in the nascent stage of construction and it is expected to be stalled. However, it would be treated as separate account owing to the presence of ring-fenced mechanism prescribed by the lenders for the said project.

- **Off-take agreement for entire capacity:**

RPL has entered into 25 year PPA with MSEDCL (ACUITE A+/ Stable) for its total power generation capacity, i.e. 1,200 MW (net of auxiliary consumption) in December 2015 under CERC regulations providing full pass-through of the fuel cost (energy charges) and capacity charges. The company will be able to recover the fixed charge, if the plant is operated at the normative availability factor. The MSEDCL has also opened a monthly revolving letter of credit with RIPL as a payment

security mechanism in compliance with the regulatory requirement backed by IRLC of Rs. 182 crore by MSEDCL.

Furthermore, with respect to PPAs entered, entire capacity is eligible to receive escalation in tariff on account of changes in energy charges and the inland transportation cost linked to the CERC index. Additionally, the PPAs have validity for another 20 years, lending adequate revenue visibility over the long term.

- **Low fuel supply risk**

RIPL requires a minimum fuel supply of 5.90 MTPA to operate the plant at a normative level (availability factor of 85%). The company has signed Fuel Supply Agreement with South Eastern Coalfields Limited (a subsidiary of Coal India Limited) for 5.49 MTPA, which covers the majority portion of the requirement, resulting in lower reliance on e-auctioned/ imported coal. It will also help RIPL in lowering the average cost per tonne of coal, thereby improving the profitability of the company.

- **Augmentation of business risk profile owing to improved project competitiveness**

The company did not get any schedule for its plant for first 8-9 months of FY2021 as the electricity supplied from Amravati Thermal Power Plant falls towards the end of Merit Order Despatch (MOD). Further, Covid-19 pandemic and ensuing lockdown led to a sudden fall in demand for electricity. It was also one of the reasons for restricted PLF of the plant in the previous years. However, the client has maintained the plant availability (PAF) of 100 per cent throughout in the current financial year till December 2020.

The project's competitiveness in the Merit Order Despatch has improved post order dtd. December 30th, 2020 of MERC, executing supplementary PPA in order to advance Non-Escalable Energy Charges applicable from 01st April 2021 to become effective from December 01st, 2020. This resulted in reduction of energy charges payable by MSEDCL to RIPL by 46 paisa, and hence improving RIPL Amravati's rank in MOD bringing it under 75 per cent quartile from earlier being in the top quartile. This would help in scheduling of electricity generated from its plant, therefore improving business prospects. As of January 2021, the plant is running at a PLF of more than 82 per cent.

Acuite believes that the operational performance of RIPL is expected to improve over the medium term on the back of improved position in MOD.

Weaknesses

- **Counterparty risk**

The Company is dealing with State Discom- MSEDCL, which exposes it to high counterparty risk. The receivables increased to Rs. 1,535.22 crore as of FY2020 from Rs. 1,233.07 crore as of FY2019, and receivables days increased to 316 days as of FY2020 from 236 days as of FY2019. However, after the implementation of the LC mechanism by the Ministry of Power (MoP) since August 2019, the realisation of receivables has improved.

Further, due to covid-19, in an order by MSEDCL has expressed its difficulty in recovery due to Covid-19 Pandemic situation and sought rebate in fixed charges and waiver of Later Payment Surcharge (LPS) from RPL. To which, RPL made a counter-offer of advancement of capacity charges earlier applicable from 01st April 2021. This has resulted in the reduction of energy charges payable by MSEDCL by 46 paisa and consequently improved the ranking of RIPL in MOD. Any adverse movement in the financial profile, as well as liquidity position of MSEDCL, could lead to delay in realisation of receivables.

- **Delay in resolving long-pending change in law claims**

On 13th November 2020, company received a favourable judgment from APTEL in respect of long pending change in law claims, based on the consent by the counterparty MSEDCL, due to which RIPL is set to recover ~Rs. 772 crore. Based on the status of other regulatory principles settled by Supreme Court/ APTEL, RIPL is likely to receive favourable orders and recover additional significant amount towards various claims, expected to be recovered by next 1-2 years. This would be an upside for the company and would further improve the liquidity as well as debt

servicing capability of the company.

Rating Sensitivity

- Recovery of claims within expected tenure
- Ability to maintain or further improve its position in MOD
- Timely servicing of debt obligations
- Timely realisation of dues from MSEDCL

Material Covenants

None

Liquidity: Adequate

RIPL has adequate liquidity profile marked by infusion of funds by promoters by way of CCDs and ICDs coupled with successful implementation of OTS. Further, RIPL is expecting claims to the extent of ~Rs. 772 crore in the short-term and ~Rs. 2,700 crore over the medium term, which would lend further support to liquidity. The company is expected to raise fund-based working capital finance through an agreement with various banks and financial institutions. Average quarterly maturing debt obligations stood at ~Rs. 125.00 crore and there are no significant proposed capital expenditure plans in the company apart from regular maintenance capex. Further, one of the clauses in the PPAs allows the company to recover capacity charges if the company is able to maintain the normative availability along with recovery of incentives for maintaining higher than normative availability, thereby ensuring continuous generation of cash from operations. The company maintains unencumbered cash and bank balances of Rs. 11.83 crore as on 31st March, 2020. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of improvement in business profile and profitability and receipt of expected disputed claims.

Outlook: Stable

Acuite believes that RIPL will maintain a 'Stable' outlook and will continue to derive benefits over the medium term due to extensive experience, improvement in business prospects, presence of long-term PPA for entire capacity and low fuel supply risk. The outlook may be revised to 'Positive' in case the company registers higher-than-expected improvement in its business risk profile and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or delay in realisation of receivables or lending any further support to the subsidiary companies.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1,773.88	1,918.14
PAT	Rs. Cr.	1,898.70	(2,791.54)
PAT Margin	(%)	107.04	(145.53)
Total Debt/Tangible Net Worth	Times	1.16	3.83
PBDIT/Interest	Times	2.57	(1.38)

Status of non-cooperation with other CRA

Brickworks, vide its press release dated October 05, 2020 had denoted the rating of RIPL as 'BWR D/ BWR D; Issuer not co-operating' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Not applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Bank	Ratings/Outlook
Proposed fund-based facilities	Not Applicable	Not Applicable	Not Applicable	700.99	NA	ACUITE BBB-/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	209.01	Punjab National Bank	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	150.00	Bank of India	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	Canara Bank	ACUITE A3 (Assigned)

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About Acuite Ratings & Research:

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