



Press Release

RattanIndia Power Limited

May 06, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	459.01	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	700.99	ACUITE BBB- Negative Reaffirmed Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	1160.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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 (RPL). The outlook is revised to '**Negative**' from '**Stable**'.

Rationale for revision in outlook

The revision in outlook is driven by Acuite's expectation of deterioration in RPL's liquidity position due to its tightly matching cash accruals to its near term debt repayment obligations. Acuite also believes that the coal shortages across the country is also likely to adversely impact the incremental working capital requirements. While the coal cost remains pass through, there is a likelihood of increased finance cost to support the current PLF levels. The company has witnessed a sequential rise in its receivable position as reflected through its debtors of Rs.2056.10 Cr as on September 30, 2021 compared to the debtor levels of Rs.1951.34 as on March 31, 2021 and Rs.1535.22 Cr as on March 31, 2020. Out of the Company's total outstanding debt as on March 31, 2022, debt of Rs. 1246.25 Cr is due to be repaid by December, 2022 and debt of Rs. 524.54 Cr is due to be repaid by June, 2023. Acuite believes that the refinancing of debt remains critical to alleviate enhanced liquidity pressures.

About the Company

RPL 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.

RPL 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.

Analytical Approach

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

Key Rating Drivers

Strengths

> Improvement in operational performance in 9MFY2022

The Company has generated a revenue of Rs. 2436.29 in 9MFY2022 as against Rs.1559.86 Cr in FY2021. The growth is driven by higher PLF of 73.75% and plant availability factor of 85% achieved in 9MFY2022. The plant had achieved 100% availability and plant load factor of 23.98% in FY2021. PLF of the plant in the first three quarters of the year FY2021 was impacted due to significant fall in demand of more than 30% on account of industrial and business activities getting affected in-light of pandemic driven restrictions and lockdown. However, with resurgence in the demand fourth quarter onwards and a favourable order from the MERC on 31 December 2020, which significantly improved the Plant's competitiveness in the State's Merit Order Dispatch Schedule (MOD), the Plant achieved a PLF of 86.36% in the last quarter of FY 2021. RPL's operating profitability stood at 25.29 percent in 9MFY22 as against 23.83% in FY2021.

> Prepayment of debt obligations

The Company had restructured its debt in FY2020 under a Binding Settlement Proposal, achieved OTS of its outstanding debt in December 2019 with a consortium of a total of 12 banks and financial institutions led by Power Finance Corporation Limited. Post the restructuring, the total debt reduced to Rs. 4955.98 Cr as on March 31, 2021 out of which debt of Rs. 3555.2 pertained to the restructured debt financed by new set of lenders including international stressed assets funds Goldman Sachs and Varde Partners through Aditya Birla Asset Reconstruction Company Limited (ABARC). RPL in FY2022 prepaid Rs. 250 Cr and in April, 2022 prepaid another tranche of Rs.200 Cr on the above facilities.

> 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 6.10 MTPA, which covers the majority portion of the requirement, resulting in lower reliance on e-auctioned/ imported coal.

Weaknesses

> Counterparty risk

The Company is dealing with State Discom- MSEDCL, which exposes it to high counterparty risk. The receivables increased to Rs.2056.10 Cr as on September 30, 2021 as against Rs. 1,951.34 crore as of March 31, 2021 and Rs.1535.22 Cr as on March 31, 2020. The outstanding debtors increased further more as on March 31, 2022. The receivables days stood at 457 days as on March 31, 2021 as against 316 days as on March 31, 2020. Acuite believes ability of RPL to prevent further elongation of receivables would be a key rating monitorable.

>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 RPL was set to recover ~Rs. 772 crore. The recovery got delayed and the claim amount increased to Rs.1157 Cr as on 25 November,2021. Under the order passed by Supreme court on February 14, 2022, MSEDCL was directed to pay 50 percent of the claim amount to power generation companies. Accordingly, RPL is set to receive ~Rs.575 Cr over the near term, out of which it has received Rs.200 Cr in April, 2022. Apart from the above claim, RPL expects to recover ~Rs.2800 Cr over the medium term from its various other pending litigations. Acuite believes recovery of claims within estimated timeline is critical to support the liquidity position of the Company.

ESG Factors Relevant for Rating

RPL is a power producer based on thermal electricity. The advancing environmental risk emanating from new regulations may adversely impact the cost of generation. Environmental risk is a major issue for thermal power generators as coal based power generation causes significant environmental damage. While there have been some measures adopted to reduce the carbon emission, the reduction however is not uniform. The risks of regulatory constraints therefore continues to remain high for this industry and additional measures could lead to cost escalation.

On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The policies on responsible procurement and handling of waste is important. Any increase in pollution levels is likely to create social unrest and political pressures. As thermal power plants also generate large amount of employment in local communities and are susceptible to unionization of labor force, managing social welfare of the local community is critical. RPL engages the local community for various services required namely car rentals, regular maintenance of various equipments, manpower supply etc. The Company also ensures 100% utilisation of fly ash generated due to burning of coal and utilisation of raw water used in the generation process towards other processes within plant facility.

On Governance front, the company has adopted requirement of Corporate Governance from Provision of Companies Act 2013 and SEBI (LODR) Regulations 2015. The board of directors comprises of professionals having expertise and experience in various filed such as construction, finance, banking, regulatory affairs, administration and management and technical operations of power plants. Hence, diverse board of directors ensures pooling of knowledge and balanced Board. An audit committee, comprising of 3 members has also been constituted by board. The two of them are independent directors and the third is promoter director. The Stakeholder's relationship committee has been constituted to assist the board in safeguarding the interests of and redressing the grievances of the security holders of the company.

Rating Sensitivities

- > Recovery of claims within expected tenure
- > Timely servicing of debt obligations
- > Elongation of trade receivables

Material covenants

None

Liquidity Position: Stretched

RIPL has stretched liquidity profile marked by tightly matched cash accruals against scheduled debt repayment obligations. The Company expects to generate cash accruals of Rs. 1050-1150 Cr over the medium term against debt repayment obligations of Rs.1000-1100 Cr for the same period. Further, the coal shortages across the country is also likely to adversely impact the incremental working capital requirements of RPL. Acuite believes considering the high repayment obligation over the near term and increased working capital requirement in view of the prevailing coal shortages, RPL's liquidity position is expected to remain stretched.

Outlook: Negative

Acuite believes that RIPL will maintain a 'Negative' outlook over the medium term due to stretched liquidity position and adverse industry head winds driven by coal shortages. The rating may be downgraded incase of further stretch in receivables leading to deterioration in liquidity position of the company. The outlook would be revised to 'Stable' incase of improvement in its collections and timely refinancing of existing debt.

Other Factors affecting Rating
Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	1559.86	1773.88
PAT	Rs. Cr.	96.70	1898.70
PAT Margin	(%)	6.20	107.04
Total Debt/Tangible Net Worth	Times	1.01	1.16
PBDIT/Interest	Times	1.49	2.57

Status of non-cooperation with previous CRA (if applicable)

Brickworks, vide its press release dated October 08, 2021 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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jan 2021	Bank Guarantee	Short Term	209.01	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	100.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	150.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	700.99	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A3 Reaffirmed
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A3 Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	209.01	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	700.99	ACUITE BBB- Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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