

Press Release

RattanIndia Power Limited

December 30, 2022

Rating Downgraded



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-----------------------------------|-------------------------|
| Bank Loan Ratings | 910.00 | ACUITE BB Negative Downgraded | - |
| Bank Loan Ratings | 250.00 | - | ACUITE A4+ Downgraded |
| Total Outstanding Quantum (Rs. Cr) | 1160.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 1,160.00 crore bank facilities of RattanIndia Power Limited (RPL). The outlook is '**Negative**'

Rationale for rating downgrade

The rating downgrade reflects Acuite's expectation of sharp impairment of the company's liquidity profile due to delay in refinancing of term debt repayment obligation in the near term. Out of RPL's total outstanding debt as on September, 2022, Rs. 976 Cr is due to be repaid by December, 2022 and Rs.372 Cr by June, 2023. Acuite learns that the management is currently in discussion with prospective lenders to refinance its obligations, but a certainty on the timelines of closure of refinancing exercise could not be provided by the management. The rating downgrade also factors in the deterioration in the liquidity position of RPL marked by continuously elongating receivables position and moderate operating performance of RPL in 7MFY23. The coal shortages across the country had also impacted the operations of the company as reflected through lower than envisaged Plant Availability factor (PAF) of 74.93% for 7MFY2023 as against 86% for FY2022. The Plant Load Factor (PLF) stood at 70.49% for 7MFY2023. Acuite believes that timely infusion of funds is paramount to avert any mismatch in repayment obligations and alleviate the pressure on liquidity.

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 RPL to arrive at this rating.

Key Rating Drivers

Strengths

Moderate operating performance

RPL generated revenue of Rs.3259.52 crore in FY2022 as against Rs.1559.86 crore in FY2021. Further, the revenue from operations for H1FY2023 is Rs. 1480.86 crore. The Company reported a moderate Plant Availability factor (PAF) of 74.93% and Plant Load Factor (PLF) of 75.10% for the period 7MFY2023 as against PAF of 86% and PLF of 75.10% for FY2022 and PAF of 100% and PLF of 23.98% in FY2021. The PAF and PLF of the plant averaged between 54-68 percent for Q2FY23, due to industry wide shortage of coal availability. The operating profit margin improved and stood at 24.79% for FY2022 as against 23.83% for FY2021. Further for H1FY2023, the operating margin stood at 29.75%.

Low reliance on e-auctioned/imported coal

RPL 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 Southeastern 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

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 crore 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 was set to receive ~Rs.575 crore over the near term, out of which it has so far received only Rs.200 crore. Further, 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

Counterparty risk

The Company is dealing with State Discom- MSEDCL, which exposes it to high counterparty risk. The total receivables rose to Rs. 2212.41 crore as on March 31, 2022 as against Rs.1951.34 crore as on March 31,2021. Further, as on September 30, 2022, the receivables remained in the same range and stood at Rs.2104 Crore. Acuite believes ability of RPL to prevent further elongation of receivables would be a key rating monitorable.

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 continue 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

Poor

The liquidity position of the company is poor marked by inadequate net cash accruals against the repayment obligations. RPL generated net cash accruals of Rs. 574 crores in FY2022 as against repayment obligations of Rs. 501.86 crore. The net cash accruals are expected to be in the range of Rs.512.67 -622.90 crore during the period FY2023-2024 and the repayment obligation post the refinancing are expected to be in the range of Rs. 455.6-722.48 crore during same period. Acuite believes timely refinancing of debt is critical to avert further pressure on Company's liquidity position. Moreover, the interim coal shortages and elongating receivables position also adversely impacts the working capital requirements of RPL, thereby impacting its liquidity position.

Outlook : Negative

Acuite believes that RPL will maintain a 'Negative' outlook over the medium term due to its poor liquidity position and elongating trade receivables position. The rating may be downgraded incase of delays in refinancing of debt obligations. The outlook would be revised to 'Stable' incase of improvement in its operating performance leading to significant improvements in its cash accruals and collections of claims and receivables thereby leading to improvement in its liquidity position.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 3259.52 | 1559.86 |
| PAT | Rs. Cr. | 348.14 | 96.70 |
| PAT Margin | (%) | 10.68 | 6.20 |
| Total Debt/Tangible Net Worth | Times | 0.84 | 1.01 |
| PBDIT/Interest | Times | 1.98 | 1.49 |

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

Brickworks, vide its press release dated 8.10.2021, had reaffirmed the RPL to BWR D/D; INC.

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|-------------------------------------|
| 06 May 2022 | Proposed Cash Credit | Long Term | 700.99 | ACUITE BBB- Negative (Reaffirmed) |
| | Bank Guarantee | Short Term | 150.00 | ACUITE A3 (Reaffirmed) |
| | Bank Guarantee | Short Term | 209.01 | ACUITE A3 (Reaffirmed) |
| | Bank Guarantee | Short Term | 100.00 | ACUITE A3 (Reaffirmed) |
| 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 | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|----------------------------------|------------------|----------------|----------------|------------------|-------------------|--|
| Kotak Mahindra Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 250.00 | ACUITE A4+ Downgraded (from ACUITE A3) |
| Not Applicable | Not Applicable | Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 700.99 | ACUITE BB Negative Downgraded (from ACUITE BBB-) |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | Simple | 209.01 | ACUITE BB Negative Downgraded (from ACUITE BBB-) |

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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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