



Press Release
RattanIndia Power Limited
September 05, 2023

Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	910.00	ACUITE BB+ Stable Upgraded	-
Non Convertible Debentures (NCD)	1025.00	ACUITE BB+ Stable Assigned Provisional To Final	-
Non Convertible Debentures (NCD)	325.00	Provisional ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	250.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	2510.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.910.00 crore bank facilities and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 250.00 crore bank facilities of RattanIndia Power Limited (RPL). The outlook is '**Stable**'.

Further, Acuite has converted from provisional to final rating and assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on NCDs issue of Rs.1025.00 crore of RattanIndia Power Limited (RPL) on account of receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions. The outlook is '**Stable**'.

Acuite has upgraded its long term rating to '**Provisional ACUITE BB+**' (read as **Provisional ACUITE double B plus**) ' from '**Provisional ACUITE BB**' (read as **provisional ACUITE double B**) on the proposed NCDs of Rs. 325.00 crore of RattanIndia Power Limited (RPL). The outlook is '**Stable**'.

The rating on the Rs.325.00 crore proposed NCDs is provisional and the final rating is subject to pending steps/ documentation

1. Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions.
2. All relevant documents related to the NCD Issue besides the above-mentioned documents.

Rationale for rating upgrade

The rating has been upgraded on account of improvement in liquidity position of the company post successful refinancing of term debt repayment obligations and partial recovery of disputed receivables. The total debt of RPL which stood at Rs.3881.01 Cr as on March, 2023 included long term debt of Rs.2065.08 Cr. and inter corporate deposits of Rs.1815.93 Cr. out of which, RPL refinanced the debt of Rs.1066.37 Cr. which was due for redemption. Further, RPL has received regulatory receivables of Rs 732 Cr from April 2022 to June 2023 which was also used for prepayments of debt facilities. The upgrade also factors in

the improvement in the operating performance of the company. The plant achieved Plant Availability factor (PAF) of 86.96% for Q1FY2024 as against 81.45% for FY2023 and 86% for

FY2022. The Plant Load Factor (PLF) is 83.73% for Q1FY2024 as against 77.30% for FY2023 and 75.10% for FY2022. However, the rating remains constrained on account of elongated receivables position of the company.

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 along with Indiabulls Infrastructure and Power Limited, the company was carved out 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

Improvement in the operating performance

The company generated revenue of Rs.3231.16 Cr. in FY2023 as against Rs.3259.52 crore in FY2022. Further, the revenue from operations for Q1FY2024 is Rs. 847.27 Cr. The plant achieved Plant Availability factor (PAF) of 86.96% for Q1FY2024 as against 81.45% for FY2023 and 86% for FY2022. The Plant Load Factor (PLF) is 83.73% for Q1FY2024 as against 77.30% for FY2023 and 75.10% for FY2022. The operating profit margin stood at 23.49% for FY2023 as against 24.79% for FY2022. Further for Q1FY2024, the operating margin declined to 18.96% on account of high input cost.

Low reliance on e-auctioned/imported coal

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 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 has received regulatory receivables of Rs 732 Cr from April 2022 to June 2023 which was used for prepayments of debt facilities.

Acuite believes recovery of claims within estimated timeline is critical to support the liquidity position of the company. However, apart from the disputed receivables, company has been

regularly receiving its undisputed receivables.

Counterparty risk

The Company is dealing with State Discom- MSEDCL, which exposes it to high counterparty risk. The debtor days stood high at 281 days as on March 31, 2023 as against 248 days as on March 31, 2022. The total receivables stood at Rs. 1873 Cr. as on June 30, 2023 as against Rs.2491.95 Cr. as on March 31,2023. The receivables also include a notional interest component charged to long pending dues. Out of the total receivables, 85.58% of the receivables are disputed receivables and 14.42% are regular receivables.

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
- Elongation of trade receivables

All Covenants

Not Applicable

Liquidity Position Adequate

The liquidity position of the company is adequate marked by adequate net cash accruals against the repayment obligations, post the refinancing. RPL generated net cash accruals of Rs. 554.72 crores in FY2023. During the year, RPL was under the refinancing process and the transaction was completed in June 2023. Post the refinancing, the net cash accrual is expected to be in the range of Rs. 494.23 Cr. to Rs.584.20 Cr. during the period FY2024-2025 against the repayment obligation of Rs. 322 Cr. to Rs. 330 Cr. The unencumbered cash and bank balance of the company stood at Rs. 178.73 Cr. as on March 31, 2023

Outlook: Stable

Acuite believes that RPL will maintain a 'stable' outlook on account of stable operating performance and will continue to derive benefits over the medium term due to extensive experience, 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	3231.16	3259.52
PAT	Rs. Cr.	332.65	348.14
PAT Margin	(%)	10.30	10.68
Total Debt/Tangible Net Worth	Times	0.69	0.84
PBDIT/Interest	Times	2.08	1.98

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

Brickworks vide its press release dated 29/12/2022, had denoted the company to BWR D/D; Issuer Not Cooperating.

Any other information

None

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

1. Lack of third party monitoring of compliance in absence of executed trust deed and no finalized terms in absence of final term sheet
2. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the pending steps/ documentation
The rating would be equated to the standalone rating of the entity: ACUITE BB+ / Stable.

C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued
The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

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
12 May 2023	Bank Guarantee	Short Term	250.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	209.01	ACUITE BB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	1350.00	ACUITE Provisional BB Stable (Assigned)
	Proposed Cash Credit	Long Term	700.99	ACUITE BB Stable (Reaffirmed)
30 Dec 2022	Proposed Cash Credit	Long Term	700.99	ACUITE BB Negative (Downgraded from ACUITE BBB- Negative)
	Bank Guarantee	Short Term	250.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	209.01	ACUITE BB Negative (Downgraded from ACUITE BBB- Stable)
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+ Reaffirmed
Not Applicable	INE399K07113	Non-Convertible Debentures (NCD)	22 Jun 2023	10.00	31 Dec 2026	Simple	375.00	ACUITE BB+ Stable Assigned Provisional To Final
Not Applicable	INE399K07105	Non-Convertible Debentures (NCD)	22 Jun 2023	16.67	31 Dec 2025	Simple	240.00	ACUITE BB+ Stable Assigned Provisional To Final
Not Applicable	INE399K07097	Non-Convertible Debentures (NCD)	22 Jun 2023	12.28	31 Dec 2024	Simple	410.00	ACUITE BB+ Stable Assigned Provisional To Final
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	700.99	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	109.01	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	325.00	Provisional ACUITE BB+ Stable Upgraded
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	100.00	ACUITE BB+ Stable Upgraded (from ACUITE BB)

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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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