Press Release

Renascent Power Ventures Private Limited

July 04, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Issuer Rating (IR)	0.00	-	ACUITE A1+ | IR | Reaffirmed
Issuer Rating (IR)	0.00	ACUITE AA- | IR | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of 'ACUITE AA- (IR)' (read as ACUITE double A minus Issuer Rating) and the short-term rating of 'ACUITE A1+ (IR)' (read as ACUITE A one plus Issuer Rating) to Renascent Power Ventures Private Limited (Renascent). The outlook is 'Stable'.

Rationale for Rating Reaffirmation

The ratings assigned primarily draw strength from healthy financial flexibility due to presence of strong sponsors i.e. The Tata Power Company Limited (TPCL), ICICI Ventures Private Limited and a few sovereign funds in Renascent's offshore holding company i.e. Resurgent Power Ventures Pte Limited (Resurgent) with a significant equity commitment of USD 453 million. The ratings also take into account strong managerial and operational support from TPCL which has led to a successful turnaround of Renascent's subsidiary i.e. Prayagraj Power Generation Company Limited (PPGCL). Furthermore, the ratings derive comfort from the prudent philosophy on acquisitions and investments to be made through Renascent/ Resurgent to create value through distressed assets. Renascent/Resurgent have acquired Northern Region NRSS XXXVI Transmission Limited (NRSS) Limited and South East UP Power Transmission Company Limited (SEUPTCL) in April 2022 and have been selected by the resolution professionals of South East UP to acquire the asset. Both projects are partially operational and significant portion of cost needs to be further incurred for them to be fully operational. Therefore, the projects are exposed to execution risk and Renascent/ Resurgent's ability to implement and turnaround the projects in a timely manner will remain key rating sensitivity.

About the Company

Renascent is a wholly-owned subsidiary of Resurgent set up in the year 2016 as a joint venture between TPCL, ICICI Ventures and other global investors such as Kuwait Investment Authority and Oman Investment Authority, established with an aim to acquire operating and near-operating assets in the Indian power sector. TPCL holds 26 per cent stake in Resurgent and the balance 74 per cent is held by ICICI Ventures and other global investors (including sovereign funds). Renascent acquired PPGCL in December 2019 through a competitive bidding process under stressed asset resolution process initiated by the lenders. PPGCL operates a 1,980 MW (3 x 660 MW) coal based thermal power project in Uttar Pradesh. It has further acquired two partially operational transmission projects NRSS and SEUPTCL in November 2021 and March 2022 respectively. Renascent plans to incur capex of ~Rs. 6000 Cr. to fully operationalize the projects over the next three year which will primarily be funded by debt and rest through equity.

Analytical Approach

Acuité has considered the standalone view of business and financial risk profiles of Renascent while additionally taking into account the funding and management support from Resurgent and its underlying sponsors.

Key Rating Drivers

Strengths

Strong operational, managerial and funding support from sponsors

Renascent is a 100 per cent subsidiary of Resurgent, which is a power platform launched by TPCL and ICICI Ventures, along with global investors with an aim to invest in operational and nearoperational thermal, hydro and transmission assets and has a joint commitment of up to USD 453 mn (~Rs. 3,400 Cr). TPCL holds 26 percent stake in Resurgent, the joint venture based out of Singapore, through its wholly-owned Singapore-based subsidiary Tata Power International Pte Limited. The balance 74 percent stake in Resurgent is held by ICICI Bank (Bahrain branch), Power Platform Ltd (a subsidiary of Oman Investment Authority) and Kuwait Investment Authority. Given the managerial and the operational support from TPCL, Renascent is uniquely placed to acquire distress power assets in India because of its strong operational capabilities not only in managing power assets but also through execution of power projects which are nearing completion. This is demonstrated through the successful turnaround of PPGCL. The presence of ICICI Ventures and sovereign funds as sponsors further adds to the financial flexibility of Renascent. Renascent in December 2019 acquired PPGCL against a one-time settlement (OTS) of Rs. 6,300 Cr, which owns and operates a 1,980 MW (3 x 660 MW) supercritical power plant in Uttar Pradesh. TPCL's strong domain expertise in the power sector and healthy funding from all the sponsors resulted in the successful turnaround of PPGCL. Further renascent, has acquired two more transmission projects in FY2022. These are partially operational and significant capex will be required to be incurred to operationalize the projects over the next three years and will be exposed to execution risks. The capex will be funded primarily through debt and the equity contribution will be funded through available balance of committed capital. Acuité also understands that Renascent has the flexibility to support any additional funding requirements in the proposed acquisitions through the cash flows generated from the operations of PPGCL, thereby establishing healthy financial flexibility of the company. Acuité, however, doesn't expect Renascent to raise any debt in its own balance sheet. Acuité believes that management's prudent approach of evaluating stressed power assets for acquisition in India is centred on intrinsic economically viability, low execution risk and ensuring complete tie-up of funds. This is likely to benefit Renascent over the medium term by mitigating the risks in its investment portfolio.

Successful turnaround of PPGCL

PPGCL undertook a one-time settlement (OTS) for its outstanding debt in December 2019, enabling the company to achieve financial viability through a substantial reduction in the large external debt burden of Rs. 17,015 Cr (inclusive of accrued interest) to about Rs. 5,000 Cr. PPGCL has long-term PPA tie-ups with five discoms of Uttar Pradesh covering 90 per cent of its capacity, thereby mitigating offtake risk for the plant. Further, the company has adequate fuel linkage with Northern Coal Fields Limited to the extent of 6.95 MTPA to operate the plant at tied-up capacity, thereby resulting in lower dependence on e-auctioned/ imported coal. Owing to the strong technical expertise of TPCL in the power sector, operating performance of PPGCL significantly improved in fiscal 2022, thereby achieving plant availability factor (PAF) of 88% in FY2022 against 83% in FY2021, which is above normative levels and ensuring full recovery of fixed tariff. PLF also improved to around 67% in fiscal 2022 against 62% in fiscal 2021, given its favourable position in the merit order. PPGCL's receivables increased to Rs. 813 Cr. in FY2022 against Rs. 418.20 Cr. in FY2021. This is because March 2021, PPGCL received Rs. 2,028 Cr. towards regular monthly dues and legacy overdues from Uttar Pradesh discoms which has led to a material reduction in debtors' outstanding in FY2021. However, despite the increase in receivable their again remains below six months. With the proceeds, PPGCL has prepaid about 10 per cent of its debt obligations. Furtherm PPGCL has generated net cash accruals (NCA) of Rs. 593 Cr. for FY2022. The same was falling due till FY2024 as per the sanction terms, translating to a moderately healthy DSCR. Acuité believes that the extensive experience of TPCL in the power sector will continue to reflect through sustainability of operating performance of PPGCL.

Weaknesses

Risk associated during project implementation phase

Renascent has acquired additional tranmission projects under distress which are partially operational which need significant capex to fully complete. Renascent/ Resurgent plans on incurring ~Rs. 6600 Cr. over the next three years which will be primarily funded by debt and rest through equity. These project are currently at an initial stage of completion and are exposed to significant completion and turnaround risk. However, the risk is mitigated to an extent given the management philosophy of targeting acquisitions wherein majority of the project execution is completed or to be completed over the medium term and involvement of Tata Projects - as the contractor for the completion. Any acquisition in future where project is under construction phase would be a key monitorable.

Counterparty credit risk

Renascent targets acquisitions of power projects which typically supplies power to state distribution companies, which exposes it to high counterparty risk. For instance, PPGCL is dealing with five discoms of Uttar Pradesh having relatively weak credit quality. Any adverse movement in the financial profile, as well as the liquidity position of the counterparties, could lead to delay in realisation of receivables which could impact of the operations of the acquired projects, leading to weaker than expected operating cash flows in the operating units.

Rating Sensitivities

Project execution risk, if any in the future acquisitions

Any deterioration in the operating cash flows of the acquired projects

Material covenants

None

Liquidity Position: Strong

Renascent has a strong liquidity profile marked by the funds available from sponsors in the form of committed capital and surplus cash flow generation from the operations of PPGCL . Moreover, its liquidity is further supported by the recent realization of entire legacy dues and monthly dues from Uttar Pradesh discoms, proceeds from which have been used to prepay the debt obligations of PPGCL. Acuité believes that the zero standalone debt status, strong sponsor profile and the healthy financial flexibility of Renascent will continue to mitigate any major liquidity risks.

Outlook: Stable

Acuité believes that Renascent's rating will maintain a 'Stable' outlook and will continue to derive benefits associated with the strong promoters' profile, which will continue to provide healthy operational, managerial and funding support to the company. The outlook may be revised to 'Positive' in case there is significant improvement in the financial and business risk profile of PPGCL . Conversely, the outlook may be revised to 'Negative' in case of slower than expected completion and turnaround of acquired stressed projects.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.44	1.80
PAT	Rs. Cr.	0.21	0.07
PAT Margin	(%)	47.73	3.90
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	0.00	0.00

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Infrastructure Sector: https://www.acuite.in/view-rating-criteria-51.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.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
03 Jul 2021	Issuer Rating	Long Term	0.00	ACUITE AA-(IR) | Stable (Assigned)
	Issuer Rating	Short Term	0.00	ACUITE A1+(IR) (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Issuer Rating	Not Applicable	Not Applicable	Not Applicable	0.00	ACUITE AA- | IR | Stable | Reaffirmed
Not Applicable	Not Applicable	Issuer Rating	Not Applicable	Not Applicable	Not Applicable	0.00	ACUITE A1+ | IR | Reaffirmed

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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.