

November 30, 2020

Reliance Power Limited: Ratings continue to remain under issuer non-co-operating category

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term, fund-based NCD	795.00	795.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to remain under issuer not cooperating category
Long-term, fund-based term loans	1200.00	1200.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to remain under issuer not cooperating category
Long-term, fund-based cash credit	49.00	49.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to remain under issuer not cooperating category
Long/Short-term, non-fund based letter of credit	245.00	245.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to remain under issuer not cooperating category
Total	2289.00	2289.00	

*Instrument details are provided in Annexure-1

Rationale

The rating is based on limited cooperation from the entity since the time it was last rated in August 2019. As a part of its process and in accordance with its rating agreement with Reliance Power Limited (R-Power), ICRA has been sending repeated reminders to the entity for payment of surveillance fee that became due. Despite multiple requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite cooperation and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's rating continues to remain in the Issuer Not Cooperating category on fee.

The rating factors in the continuing delays in debt servicing by R-Power to the lenders. On July 6, 2019, an Inter Creditor Agreement (ICA) was signed between R-Power and its six lenders, basis which a standstill was achieved for 180 days for submission and implementation of the resolution plan. While the ICA expired on January 06, 2020, the debt resolution plan is yet to be finalised for which continuous discussion are underway between R-Power and its lenders. The company's liquidity profile continues to be poor as evident from the considerable decline in its net cash accruals in the last two fiscals and the net worth erosion due to significant impairment of assets.

Key rating drivers and their description:

Credit challenges

Continuing delays in debt servicing – On July 6, 2019, an Inter Creditor Agreement (ICA) was signed between R-Power and its six lenders, basis which a standstill was achieved for 180 days for submission and implementation of the resolution plan. While the ICA expired on January 06, 2020, the debt resolution plan is yet to be finalised for which continuous discussion are underway between R-Power and its lenders. The liquidity profile of the company continues to remain poor as evident from considerable decline in its net cash accruals in the last two fiscals and net-worth erosion due to significant impairment of assets. The company continues to delay on its debt servicing to the lenders.

Limited asset base and revenue streams given its status as holding company - R-Power is a primary vehicle of Reliance Power Group for investments in the power generation sector. It mainly acts as a holding company for different SPVs, and has limited asset base and revenue streams (except the 45-MW wind project). As a result, debt servicing by the company remains dependent on the timely ploughing back of funds from the project SPVs.

Deterioration in financial risk profile of Vidarbha Industries Power Limited (VIPL), which operates Butibori power project – The financial risk profile of VIPL, which operates a 600-MW coal-based thermal power project in Butibori, Nagpur (Maharashtra), has been severely impacted in the recent years by stretched receivables, protracted delays in issuance of regulatory orders and lack of fuel supply for one of the units. The company's operations have remained shut from January 15, 2019 and consequently, it has continued to default on its debt servicing obligations. Following the expiry of the Inter Creditor Agreement (ICA) which was signed between VIPL and its lenders on July 6, 2019, one of the lenders of VIPL has filed an application under the provisions of the Insolvency & Bankruptcy Code (IPC), 2016 in January 2020 seeking debt resolution of VIPL. The matter is still pending for consideration by NCLT and the company is yet to be admitted to NCLT for insolvency proceedings. VIPL has been pursuing debt resolution with its lenders outside the Corporate Insolvency Resolution Process. Further, the offtaker, Adani Electricity Mumbai Limited (AEML) issued PPA termination letter to VIPL in April 2019, citing below-threshold availability in certain years. While the company had challenged the validity and legality of the termination letter, it has received unfavourable rulings from MERC and Appellate Tribunal of Electricity (APTEL) and currently, the matter is pending at the Supreme Court. Meanwhile, after the PPA termination notice by the procurer, the lenders have exercised their right to substitute VIPL with other entity for operating the thermal station for recovery of their dues, as per the provisions of the PPA.

Significant uncertainty with regards to non-operational Samalkot project – The Samalkot project continues to face significant uncertainty given its non-operational status. The debt servicing of the project commenced in April 2015 and was being met through support from R-Power. Given the concerns related to gas availability in India, the company has planned to deploy the unused equipment/module of 750-MW capacity (out of the total planned capacity of 2,250 MW) at Samalkot to the Group's ongoing project in Bangladesh. Reliance Bangladesh LNG & Power Limited (RBLPL), the wholly owned subsidiary of R-Power, is developing this power project at Meghnaghat in Bangladesh. RBLPL signed all the project agreements (Power Purchase Agreement, Implementation Agreement, Land Lease Agreement and Gas Supply Agreement) with the Government of Bangladesh authorities in September 2019, and also inducted a strategic partner, JERA Power International (the Netherlands), a subsidiary of JERA Co. Inc. (Japan) to invest 49% equity in RBLPL on September 02, 2019. Samsung C&T (South Korea) has been appointed as the EPC contractor for the Bangladesh project. SMPL has signed an equipment supply contract in March 2020 to sell equipment / module of 750-MW capacity. The present outstanding US Exim debt pertaining to the Samalkot project is USD 347 mn, payable in three equal annual yearly instalments in FY2021, FY2022 and FY2023. The company expects to realise USD 210 mn from sale of this equipment, which will be utilised for paring the US exim debt.

Exposure to counterparty credit risks associated with state-owned distribution utilities - The projects under different SPVs of R-Power remain exposed to counterparty credit risks, associated with the sale of power to state-owned distribution utilities, as well as fuel-supply risks, both for coal and gas. The counterparty credit risks are partially mitigated by adequate payment security mechanisms, availability of fuel under FSA for most of the operational capacity, and cost plus-based nature of PPA for Rosa and Butibori thermal power plants, which allows pass through of fuel cost and mitigates the fuel price risk.

High capex related to installation of Flue Gas Desulphurisation (FGD) systems - As per the revised environmental norms prescribed by the Ministry of Environment and Forests, the Government of India, all thermal power plants in the country are required to reduce their emissions of Nitrogen Oxide, Sulphur Dioxide and particulate matter. To comply with these norms, the Group's operational thermal power plants at Sasan (Madhya Pradesh) and Rosa (Uttar Pradesh) are required to install FGD systems by FY2022. The total capital cost is estimated at Rs 2434 crore for Sasan power plant

and Rs 809 crore for Rosa power plant, proposed to be funded by a debt-to-equity mix of 70:30. While the cost incurred is expected to be a pass through under the tariff, the Group will remain exposed to funding and execution risks for timely completion of this capex within the budgeted cost. As on date, the debt funding tie-up as well as equity infusion is pending.

Liquidity position: Poor

R-Power's liquidity position is poor as reflected by its ongoing delays in debt servicing.

Rating Sensitivities:

Positive triggers – Regular debt servicing for minimum three consecutive months would be a positive rating trigger.

Negative triggers – Not applicable

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Thermal Power Producers Policy on Default Recognition Policy in respect of non-cooperation by the rated entity
Parent/Group Support	Not applicable
Consolidation / Standalone	The ratings are based on the consolidated financial profile of R-Power and its subsidiaries as mentioned in Annexure 2

About the company:

R-Power, a part of the Reliance Group, promoted by Mr. Anil D Ambani, is the primary vehicle for investments in the power generation sector. The company came out with an IPO in February 2008 and raised Rs. 11,560 crore for funding the equity contribution of some of the identified projects. As on date, the company's generation capacity stood at 5945 MW, including 5,760 MW of thermal capacity and 185 MW of renewable energy-based capacity. Its operational projects include Rosa Project at Shahajahnapur, Uttar Pradesh (1,200 MW), Butibori Project at Nagpur, Maharashtra (600 MW), UMPP at Sasan (3,960 MW), solar PV Project at Dhursar, Rajasthan (40 MW), concentrated solar power project at Pokhran, Rajasthan (100 MW) and wind project at Vashpet, Maharashtra (45 MW).

Key financial indicators

	Standalone			Consolidated		
	FY2019 (Audited)	FY2020 (Audited)	H1FY2021 (Unaudited)	FY2019 (Audited)	FY2020 (Audited)	H1FY2021 (Unaudited)
Operating Income (Rs. crore)	43.38	53.53	29.08	8201.31	7562.27	4382.27
PAT (Rs. crore)	-605.78	-388.84	187.06	-2955.91	-4255.37	210.87
OPBDIT/OI (%)	-28.75%	43.79%	48.35%	47.91%	39.97%	41.98%
PAT/OI (%)	-1396.45%	-726.40%	643.26%	-36.04%	-56.27%	4.81%
Total Outside Liabilities/Tangible Net Worth (times)	0.65	0.98	0.94	2.34	3.03	2.77
Total Debt/OPBDIT (times)	-606.17	301.47	213.08	6.88	8.01	6.00
Interest Coverage (times)	-0.03	0.05	0.07	1.22	0.99	1.39

Source: Reliance Power Limited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

SN	Name of Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years								
		Type	Rated amount (Rs. crore)	Amount Outstanding (Rs. crore)	30-Nov-20	FY2020			FY2019					
						13-Aug-19	16-Jul-19	18-Jun-19	19-Nov-18	24-Sep-18	3-Aug-18	16-Jul-18	20-Jun-18	7-May-18
1	Non-Fund Based Limit (B/G and L/C)	Long/Short-Term	245		[ICRA]D / [ICRA]D ISSUER NOT COOPERATING	[ICRA]D / [ICRA]D ISSUER NOT COOPERATING	[ICRA]D / [ICRA]D ISSUER NOT COOPERATING	[ICRA]C/ [ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BB (Negative)/ [ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BB (Negative)/ [ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BB (Negative)/ [ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BBB (Negative)/ [ICRA]A2 ISSUER NOT COOPERATING	[ICRA]BBB (Negative)/ [ICRA]A2	[ICRA]BBB (stable)/ [ICRA]A2
2	Long Term Loans	Long-Term	1200	1200	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]C ISSUER NOT COOPERATING	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BB (Negative)	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative)	[ICRA]BBB (stable)
3	Long Term – Fund Based Limits	Long-Term	49		[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]C ISSUER NOT COOPERATING	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BB (Negative)	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative)	[ICRA]BBB (stable)
4	Short Term – Non-fund based Limits	Short-Term	-		-	-	[ICRA]D ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A2 ISSUER NOT COOPERATING	[ICRA]A2	[ICRA]A2
5	Commercial Paper/ Short-term debt Programme/Non-Convertible Debentures^	Short-Term	-		-	[ICRA]D ISSUER NOT COOPERATING; withdrawn	[ICRA]D ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A2 ISSUER NOT COOPERATING	[ICRA]A2	[ICRA]A2
6	Non-Convertible Debentures	Long-Term	795	795	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]D ISSUER NOT COOPERATING	[ICRA]C ISSUER NOT COOPERATING	[ICRA]BB (Negative) INC ISSUER NOT COOPERATING	[ICRA]BB (Negative)	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)

^with maturity of less than a year; * As on September 30,2020; INC: Issuer not co-operating

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
INE614G07063	NCD	28-Mar-2018	12.18%	28-Mar-2025	545.00	[ICRA]D; ISSUER NOT CO-OPERATING
INE614G07071	NCD	10-Jul-17	8.00%	30-Jun-2035	250.00	[ICRA]D; ISSUER NOT CO-OPERATING
-	Term Loans	FY2014	10.50%	FY2030	1200.00	[ICRA]D; ISSUER NOT CO-OPERATING
-	Cash Credit	-	-	-	49.00	[ICRA]D; ISSUER NOT CO-OPERATING
-	Bank Guarantee/Letter of Credit	-	-	-	245.00	[ICRA]D; ISSUER NOT CO-OPERATING

Source: Reliance Power Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Vidarbha Industries Power Limited	100%	Fully consolidated
Rosa Power Supply Company Limited	70%	Fully consolidated
Sasan Power Limited	100%	Fully consolidated
Reliance Bangladesh LNG Terminal Limited	100%	Fully consolidated
Coastal Andhra Power Limited	100%	Fully consolidated
Maharashtra Energy Generation Limited	100%	Fully consolidated
Chitrangi Power Private Limited	100%	Fully consolidated
Reliance Geothermal Power Private Limited	100%	Fully consolidated
Siyom Hydro Power Private Limited	100%	Fully consolidated
Tato Hydro Power Private Limited	100%	Fully consolidated
Kalai Power Private Limited	100%	Fully consolidated
Urthing Sobla Hydro Power Private Limited	100%	Fully consolidated
Amulin Hydro Power Private Limited	100%	Fully consolidated
Emini Hydro Power Private Limited	100%	Fully consolidated
Mihundon Hydro Power Private Limited	100%	Fully consolidated
Reliance Coal Resources Private Limited	100%	Fully consolidated
Reliance CleanGen Limited	100%	Fully consolidated
Moher Power Limited	100%	Fully consolidated
Samalkot Power Limited	100%	Fully consolidated
Reliance Chittagong Power Company Limited	100%	Fully consolidated
Reliance Wind Power Private Limited	100%	Fully consolidated
Reliance Green Power Private Limited	100%	Fully consolidated
Rajasthan Sun Technique Energy Private Limited	100%	Fully consolidated
Coastal Andhra Power Infrastructure Limited	100%	Fully consolidated
Reliance Prima Limited	100%	Fully consolidated
Atos Trading Private Limited	100%	Fully consolidated
Atos Mercantile Private Limited	100%	Fully consolidated
Reliance Natural Resources Limited	100%	Fully consolidated

Company Name	Ownership	Consolidation Approach
Dhursar Solar Power Private Limited	100%	Fully consolidated
Reliance Natural Resources (Singapore) Pte Ltd.	100%	Fully consolidated
Purthi Hydro Power Private Limited	100%	Fully consolidated
Teling Hydro Power Private Limited	100%	Fully consolidated
Shangling Hydro Power Private Limited	100%	Fully consolidated
Lara Sumta Hydro Power Private Limited	100%	Fully consolidated
Sumte Kothang Hydro Power Private Limited	100%	Fully consolidated
RPL Solar Power Private Limited	100%	Fully consolidated
Reliance Power Netherlands BV	100%	Fully consolidated
PT Heramba Coal Resources	100%	Fully consolidated
PT Avaneesh Coal Resources	100%	Fully consolidated
PT Brayan Bintang Tiga Energi	100%	Fully consolidated
PT Sriwijaya Bintang Tiga Energi	100%	Fully consolidated
PT Sumukha Coal Services	100%	Fully consolidated
Reliance Power Holding FZC UAE	100%	Fully consolidated
Reliance Bangladesh LNG & Power Limited	100%	Fully consolidated
RPL Sun Power Private Limited	50%	Part consolidation
RPL Photon Private Limited	50%	Part consolidation
RPL Sun Technique Private Limited	50%	Part consolidation

Source: Reliance Power Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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