

## India Ratings Downgrades Mytrah Ujval Power and its NCDs to 'IND BBB-'; Places on RWN

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By Ankur Rustagi

India Ratings and Research (Ind-Ra) has downgraded Mytrah Ujval Power Private Limited's (MUPPL) Long-Term Issuer Rating to 'IND BBB-' from 'IND BBB+' and simultaneously placed it on Rating Watch Negative (RWN). The instrument-wise rating actions are as follows:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/ Rating Watch	Rating Action
Non-convertible debentures (NCDs)	INE572X07019	15 September 2017	0%-9%*	September 2023-September 2024	INR8,200	IND BBB-/RWN	Downgraded and placed on RWN

\*No coupon for the first three years of the loan tenor; 8% for the fourth and fifth years and 9% for the sixth and seventh years.

**Analytical Approach:** Ind-Ra continues to take a consolidated view of MUPPL, its associate company, Mytrah Energy (India) Private Limited (MEIPL; 'IND BBB-/RWN), and MEIPL's subsidiaries to arrive at the ratings.

The downgrade reflects a similar rating action taken on MEIPL.

### KEY RATING DRIVERS

**Ratings Linked to MEIPL's Ratings:** MEIPL has given an unconditional and irrevocable corporate guarantee for the rated NCDs. Given that MUPPL does not have any cash flows of its own, Ind-Ra believes that these NCDs would be serviced by MEIPL's cash flows, if required. MUPPL's strong dependence on MEIPL is also established by the presence of cross-default provisions in MEIPL's NCDs raised from the Piramal Group. While MEIPL and MUPPL are associate entities held by a common sponsor - Bindu Vayu Mauritius Limited - the entire shareholding of both the entities, including the 51% held by the promoter group in MUPPL, is pledged to the Piramal Group. This, along with the presence of cross-default clauses and a clause to merge the entities within three years from the date of issuance of the NCDs (extendable, if permitted by investors) indicates a strong linkage between the companies. Ind-Ra has, therefore, taken a consolidated view of both the entities while arriving MEIPL's ratings. Furthermore, given that MUPPL has investments only by way of compulsorily convertible preference shares and equity in MEIPL on the asset side, MUPPL's ratings have been equated to that of MEIPL.

**Equity Infusion still Pending; Deleveraging Plans further Delayed:** MEIPL's holdco-level debt of INR12.8 billion and INR8.2 billion bonds raised at MUPPL were availed as a bridge capital in FY18 and FY19 and hence, a take-out by equity is required to service the debt and correct the capital structure. MEIPL also needs to retire the bridge capital of INR8.2 billion availed at Mytrah Ujjval Power Private Limited (IND BBB-/RWV) with the equity infusion. Ind-Ra had previously expected the equity event to have finalised by September 2020, however, the same has not fructified. As per the management, MEIPL is in advanced stages to sell the stake in its holdco or to sell out a set of projects to release equity. The deal contours are yet to be finalised and the management has informed the agency that it is hopeful of completing the deal by FYE21.

**Continued Elevated Leverage:** In the absence of the equity event, the net leverage (net adjusted debt/EBITDA) at both standalone and consolidated level continues being elevated. The standalone net leverage is estimated by the agency to be above 10x in FY20 (FY19:6x) since the EBITDA is estimated to have declined sharply and is likely to deteriorate further in FY21. Further Ind-Ra estimates the standalone interest coverage to have remained below 1x for FY20 and stay at a similar level in FY21.

The consolidated net leverage is also high as the payments from some counterparties have remained weak, leading to further borrowing. Moreover, in two of its SPVs, where the counterparties are AP discoms, the counterparties are paying a tariff much lower than that agreed at the time of the PPA. Since the matter is subjudice, pending a decision from the Andhra Pradesh (AP) High Court, the AP discoms are continuing paying a tariff of INR2.43/unit than the agreed PPA tariff of INR4.83/unit, resulting in further liquidity stress.

The management expects the liquidity to ease post the disbursements of funds under discoms-funding scheme launched by the government of India and also the finalisation of the legal matter with respect to the tariff in the two solar projects. Ind-Ra estimates the consolidated net leverage to have deteriorated to around 8.7x for FY20 (FY19: 7x). Further the net leverage including the debt at MUPPL level is estimated to have been around 9.4x in FY20 (FY19: 7.6x).

**Liquidity Indicator - Poor:** MUPPL does not have any cash flows of its own and is dependent on MEIPL for coupon payment and redemption. The coupon payments will start from September 2021 (the fourth year of the loan tenor) wherein 8% annual coupon would be paid in the fourth and fifth year. According to the terms of the NCDs, the repayments would start from the sixth year, i.e. September 2023, with 30% principal repayment; the balance 70% would be repaid in September 2024.

MEIPL's liquidity at the holdco level remains poor as reflected by close to 98% utilisation of its fund-based limits for the 12 months ended August 2020. Additionally, around INR1.1 billion of its non-fund-based limits have been converted into fund-based limits. The debt-servicing requirement at MEIPL for FY21 includes the payment of interest on outstanding working capital facilities of INR2.8 billion and short-term loans of INR1.6 billion along with the repayment of converted non-fund-based limits by March 2021. Since MEIPL does not have any major source of EPC revenue, the servicing of interest along with facilities availed during depends on cash upstreaming from the SPVs. However, the management is looking to refinance its solar assets, which the agency believes may lead to cash upstreaming of INR1 billion-1.5 billion at the holdco level and will be used for debt servicing. The overall standalone debt, as on 31 August 2020, increased to INR17.2 billion (FY20: INR15.7 billion) including fund-based working capital loans of INR2.8 billion, term loans of INR4.6 billion and long-term NCDs of INR9.8 billion. The holdco has availed the RBI-prescribed moratorium for all its facilities over 1 March 2020-30 August 2020 thus limiting the interest outgo. Additionally, according to the management, the interest of around INR1.1 billion on the short-term loan and the NCDs from the Piramal Group are likely to be converted into additional debt and amortised over a longer period, thus easing repayment pressure in FY21. However, Ind-Ra opines the overall debt levels would remain elevated in FY21-FY22 and timely debt servicing now remains dependent on the refinancing of the solar assets. Ind-Ra will closely monitor the refinancing of solar assets and liquidity at MEIPL holdco level. Even, if the refinancing is successful, Ind-Ra believes the standalone debt levels will be significantly higher and equity will be the way forward to ease the debt burden.

## RATING SENSITIVITIES

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The ratings will move in line with MEIPL's ratings.

## COMPANY PROFILE

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MUPPL is 49% held by Bindu Vayu Mauritius Limited, which holds 100% equity in MEIPL. MEIPL is a holding-cum-operating company for various wind and solar power projects. It is a leading independent renewable energy producer in India. It implements and operates various wind and solar power projects in India through subsidiaries and generates revenue from the engineering, procurement and construction business.

## CONSOLIDATED FINANCIAL SUMMARY

Particulars (INR billion)	FY19	FY18
Revenue	29.7	31.5
EBITDA	14.7	12.2
Profit after tax	-1.0	0.4
Gross interest expense	10.1	7.9
Total debt	104.2	90.3
Source: Ind-Ra, MEIPL		

## RATING HISTORY

Instrument Type	Current Rating/Rating Watch			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating/Outlook	10 October 2019	20 September 2018	20 September 2017
Issuer rating	Long-term	-	IND BBB-/RWN	IND BBB+/Negative	-	-
NCDs	Long-term	INR8,200	IND BBB-/RWN	IND BBB+/Negative	IND A-(SO)/Stable	IND BBB(SO)/Stable

## COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instrument, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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## Applicable Criteria

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[Corporate Rating Methodology](#)  
[Parent and Subsidiary Rating Linkage](#)

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