

November 29, 2022

Reliance Power Limited: Ratings continue to be under Issuer Not Co-operating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures (NCD)*	795.00	795.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not Co-operating category
Long-term, fund-based term loans	1200.00	1200.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not Co-operating category
Long-term, fund-based cash credit	49.00	49.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not Co-operating category
Long/Short-term, non-fund based letter of credit	245.00	245.00	[ICRA]D/[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not Cooperating category
Total	2289.00	2289.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has retained the rating for the borrowings of Reliance Power Limited in the 'Issuer Not Co-operating' category. The rating is denoted as [ICRA]D/[ICRA]D; ISSUER NOT COOPERATING.

The rating is based on the limited cooperation from the entity since the time it was rated in November 2020. 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 repeated 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 be in the Issuer Not Co-operating category on fee.

The rating factors in the continuing delays in debt servicing by R-Power to the lenders. R-Power is engaged with its lenders for resolution of its debt issues. The company's liquidity profile continues to be poor as evident from its weak net cash accruals and the net worth erosion due to significant impairment of assets.

Key rating drivers and their description

Credit challenges

Continuing delays in debt servicing - The financial profile of R-Power continues to be weak, evident from its poor liquidity position and weak debt servicing indicators. It continues to delay its debt servicing and is currently in discussions with lenders for debt resolution/settlement.

Limited asset base and revenue streams given its status as a holding company - R-Power is the primary vehicle of the 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, the company depends on the timely ploughing back of funds from the project SPVs to service debt.

Butibori power project remains non-operational - The Butibori plant has remained shut since January 15, 2019, and consequently, the company has continued to default on its debt servicing obligations. After the expiry of the inter-creditor agreement (ICA) signed between operator Vidarbha Industries Power Ltd (VIPL) and its lenders on July 6, 2019, one of the

lenders 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 the NCLT and the company is yet to be admitted to the NCLT for insolvency proceedings.

VIPL has been pursuing the debt resolution with its lenders outside the corporate insolvency resolution process. Further, the offtaker, Adani Electricity Mumbai Limited (AEML), issued a 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 the Appellate Tribunal of Electricity (APTEL) and currently, the matter is pending with the Supreme Court. Meanwhile, after the PPA termination notice by the procurer, the lenders have exercised their right to substitute VIPL with other entities to operate the thermal station to recover their dues, as per the provisions of the PPA.

Significant uncertainty over 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 a 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 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 2, 2019. Samsung C&T (South Korea) has been appointed as the EPC contractor for the Bangladesh project. SMPL had signed an equipment supply contract in March 2020 to sell equipment/module of 750-MW capacity. The export of the module has been concluded and the proceeds from the equipment supply have been used to pay the debt from US Exim Bank.

Exposure to counterparty credit risks associated with state-owned distribution utilities - The projects under the 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 for both 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 the cost-plus based nature of the PPAs for the 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) system - As per the revised environmental norms prescribed by the Ministry of Environment and Forests, 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 December 31, 2026. The total capital cost is estimated at Rs. 2,434 crore for the Sasan power plant and Rs. 775 crore for the 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 the 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 in the ongoing delays in debt servicing.

Rating Sensitivities

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

Negative factors – 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 to fund the equity contribution for some of the identified projects. As on date, the company's generation capacity stood at 5,945 MW, including 5,760 MW of thermal capacity and 185 MW of renewable energy-based capacity. Its commissioned projects include the 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 (audited)

Parameter	Standalone		Consolidated	
	FY2021	FY2022	FY2021	FY2022
Operating income	39.07	41.89	7934.01	7503.11
PAT	55.34	-277.32	427.08	-565.13
OPBDIT/OI	32.56%	22.01%	45.06%	36.27%
PAT/OI	141.64%	-662.02%	5.38%	-7.53%
Total outside liabilities/Tangible net worth (times)	0.98	0.91	2.68	2.54
Total debt/OPBDIT (times)	559.94	741.55	5.77	8.49
Interest coverage (times)	0.03	0.02	1.41	1.16

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020		
				Nov 29, 2022	Nov 30, 2021	Nov 30, 2020	Aug 13, 2019	Jul 16, 2019	Jun 18, 2019
1 Non-fund based limit (B/G and L/C)	Long/Short-Term	245	210	[ICRA]D / [ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D / [ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D / [ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D / [ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D / [ICRA]D ISSUER NOT CO-OPERATING	[ICRA]C/ [ICRA]A4 ISSUER NOT CO-OPERATING
2 Long-term loans	Long-Term	1200	625	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]C ISSUER NOT CO-OPERATING
3 Long term – Fund-based limits	Long-Term	49	41	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]C ISSUER NOT COOPERATING C
4 Short term – Non-fund based limits	Short-Term	-	-	-	-	-	-	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]A4 ISSUER NOT CO-OPERATING
5 Commercial paper/short-term debt programme/non-convertible debentures^	Short-Term	-	-	-	-	-	[ICRA]D ISSUER NOT CO-OPERATING; withdrawn	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]A4 ISSUER NOT CO-OPERATING
6 Non-convertible debentures	Long-Term	795	545	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]C ISSUER NOT CO-OPERATING

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-Fund Based (Letter of Credit /Bank Guarantee)	Very Simple
Term Loans	Simple
Long Term – Fund Based Limits	Simple
Non-Convertible Debentures	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's

credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	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-2017	8.00%	30-Jun-2035	250.00	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Term Loans	FY2014	-	FY2030	1200.00	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Cash Credit		-	-	49.00	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Bank Guarantee/ Letter of Credit		-		245.00	[ICRA]D/[ICRA]D; ISSUER NOT CO-OPERATING

Source: Company

Annexure II: 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
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	75%	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	89%	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 Solar Resources Power Private 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

Company Name	Ownership	Consolidation Approach
Reliance Natural Resources Limited	100%	Fully consolidated
Dhursar Solar Power Private Limited	100%	Fully consolidated
Reliance Natural Resources (Singapore) Pte Ltd.	100%	Fully consolidated
Teling Hydro Power Private Limited	100%	Fully consolidated
Shangling Hydro 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	99.6%	Fully consolidated
Reliance Power Holding FZC UAE	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: Company

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