

June 18, 2019

Reliance Power Limited: Long-term rating downgraded to [ICRA]C ISSUER NOT COOPERATING; rating continues to remain in non cooperating category

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Non-Convertible debentures (NCD)	1000	1000	[ICRA]C ISSUER NOT COOPERATING*; revised from [ICRA]BB (Negative) ISSUER NOT COOPERATING; rating continues to remain in non cooperating category
Non-Fund Based Limit (B/G and L/C)	3712	3712	[ICRA]C/[ICRA]A4 ISSUER NOT COOPERATING*; revised from [ICRA]BB (Negative)/[ICRA]A4 ISSUER NOT COOPERATING; rating continues to remain in non cooperating category
Long Term Loans	2183 [^]	2183 [^]	[ICRA]C ISSUER NOT COOPERATING*; revised from [ICRA]BB (Negative) ISSUER NOT COOPERATING; rating continues to remain in non cooperating category
Long Term - Fund Based Limits	80	80	[ICRA]C ISSUER NOT COOPERATING*; revised from [ICRA]BB (Negative) ISSUER NOT COOPERATING; rating continues to remain in non cooperating category
Short Term – Non-fund based Limits	40	40	[ICRA]A4 ISSUER NOT COOPERATING*; rating continues to remain in non cooperating category
Commercial Paper/ Short-term debt Programme/ NCD (with maturity of less than one year)	1000	1000	[ICRA]A4 ISSUER NOT COOPERATING*; rating continues to remain in non cooperating category
Total	8015	8015	

[^]includes ECB of US\$ 25 mn; *issuer not cooperating for submission of information and monthly no default statement

Rating action

ICRA has downgraded the long-term rating of Reliance Power Limited to [ICRA]C (pronounced ICRA C) from [ICRA]BB (pronounced ICRA double B). The rating continues to remain in the 'Issuer Not Cooperating' category. The rating is denoted as "[ICRA]C ISSUER NOT COOPERATING". The company also has an outstanding short-term rating of [ICRA]A4 (pronounced ICRA A four) which also remains in the 'Issuer Not Cooperating' category. The rating is denoted as "[ICRA]A4 ISSUER NOT COOPERATING".

ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. The current rating action has been taken by ICRA basis best available information on the issuers' performance. Accordingly, the lenders, investors and other market participants are advised to exercise appropriate caution while using this rating as the rating may not adequately reflect the credit risk profile of the entity, despite the downgrade.

Rationale:

The revision in the rating takes into the account the significant deterioration in the company's financial position coupled with its stretched liquidity profile as also evident from considerable decline in the net cash accruals in FY 2018-19 and net-worth erosion due to impairment of assets amounting to ~ Rs. 4170 crore as on March 31, 2019. The liquidity profile of its key operating subsidiaries namely Rosa Power Supply Company Ltd (RPSC) and Vidarbha Industries Power Limited

(VIPL) continues to remain weak which in turn has impacted the surplus cash flow availability to the company. The revision in the rating further takes into account the delays in debt servicing by one of its subsidiaries- Rajasthan Sun Technique Energy Private Limited which further highlights the weak liquidity position of Reliance Power. The ratings also factor the high leveraging levels of the company at a standalone level along with the significantly high refinancing risk.

Key rating drivers:

Credit strengths

Sustained improvement in the PLF levels for Sasan Power UMPP (4000 MW) - ICRA takes note of the operating performance of Sasan Power Limited (SPL) with PLF of 95% in FY2019. Also, cash flow relief available to the project under RBI's Flexible Structuring Scheme (5/25 scheme) by the lenders which elongates the debt repayment period of its rupee denominated term loans, is a positive. In ICRA's view, SPL's key credit metrics remain dependent on its ability to sustain high level of operating performance and ensure all costs to be within budgeted parameters.

Credit challenges

Deterioration of the financial risk profile - The financial risk profile of the company has significantly deteriorated as evident from considerable decline in the net cash accruals in FY 2018-19 and net-worth erosion due to impairment of assets amounting to ~ Rs. 4170 crore as on March 31, 2019. In addition, delays in debt servicing by one of its subsidiaries- Rajasthan Sun Technique Energy Private Limited further highlights the weak liquidity position of Reliance Power.

High leveraging level at standalone level, associated refinancing risk- The leveraging levels for the company continue to remain high. This has resulted in increase in interest expenses and associated refinancing risk. The term loans have been primarily deployed in the Special Purpose Vehicles (SPVs) to meet the cash-flow mismatches.

Deterioration in the financial performance of Rosa Power and Vidarbha Industries: In case of Rosa Power Project, the cash flow position has been impacted on account of the tariff order issued by the Uttar Pradesh Electricity Regulatory Commission (UPERC) and the subsequent order issued by UPERC recently following the review petition filed by the company. As per the tariff order, the tariffs allowed are lower than what the company had asked for because of the disallowance of additional capital expenditure/un-discharged liability, marginal tightening of efficiency norms and sharing of gains during the control period of FY2015–FY2019. Subsequently, the company filed a review petition with the UPERC against the tariff order, in respect to which, UPERC issued an order wherein they have rejected the claims made by the company regarding undischarged liability, secondary oil consumption and truing up of interest on working capital. Also, the allowance of additional capital expenditure of the tune of ~ Rs. 470 crore remains pending which is expected to limit the cash accruals for the company to significant extent. Hon'ble Supreme Court, vide its Judgment dated April 19, 2018 in a similar matter has held that regulations override the Power Purchase Agreement (PPA) unless a carve out within the Regulation enables the applicability of the PPA. For VIPL, cash flow position of the company has been impacted owing to significant increase in receivables due to the disallowance of certain part of the fuel cost as per the tariff order approved by the Maharashtra Electricity Regulatory Commission (MERC). While the company appealed against the MERC's order to the Appellate Tribunal for Electricity (APTEL), which in turn issued an order in favour of the company in November 2016, the MERC subsequently filed an appeal against the APTEL order in the Supreme Court in January 2017. Subsequently, VIPL has filed an application before MERC for grant of relief and compensation under Change in Law due to non-signing of FSA for Unit 1. Consequently, upon the petitions filed by VIPL, MERC, vide its Order dated September 14, 2018 directed VIPL to file a revised Mid Term Review Petition (MTR). With reference to the said MTR petition, MERC has held a public hearing on January 8, 2019, and has reserved the order. The company is expecting a favourable order from MERC in the near term which is expected to mitigate the issue relating to the disallowance of certain part of the fuel cost.

Status as mainly a holding company with limited asset base and revenue streams- The ratings assigned to R-Power remains constrained by the fact that it is mainly a holding company with 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.

Significant uncertainty with regards to the non-operational Samalkot project- As the Samalkot project is at present non-operational, debt servicing for the project (which commenced in April 2015) has been met through support from R-Power. The company is in discussion with the lender to restructure the debt whereby outstanding principal would be repaid in three equal annual instalments starting from June 2020. However, given the concerns related to gas availability in India, the company is now planning to deploy the unused equipment of 750-MW capacity to Bangladesh, out of the total planned capacity of 2,250 MW at Samalkot. Reliance Bangladesh LNG & Power Limited (RBLPL), the wholly owned subsidiary of R-Power is developing the Bangladesh power project. RBLPL has finalised the EPC contractor for the power project and have received approval for financing of the project from Asian Development Bank (ADB). With relocation of this project to Bangladesh, R-Power would remain exposed to project execution risk.

Exposure to counterparty credit risks associated with sale of power to state-owned distribution utilities; however, adequate payment security mechanisms partially mitigate the risk: The projects remain exposed to counterparty credit risks associated with sale of power to state-owned distribution utilities as well as fuel-supply risks, both for coal and gas. ICRA, however, notes that the counterparty credit risks are mitigated partially through adequate payment security mechanisms, availability of fuel under FSA and the fact that fuel cost is a pass-through in a cost plus-based PPA, which in turn mitigates price risk for its thermal power projects (Rosa and Butibori).

Liquidity position

The company's liquidity position continues to remain stretched as evident from weak cash accruals during FY 2019.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Thermal Power Producers
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company. The list of companies that are consolidated to arrive at the rating are given in Annexure 2 below.

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 for 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 (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	44	43
PAT (Rs. crore)	2	-606
OPBDIT/OI (%)	NM	NM
RoCE (%)	2%	-1%
Total Debt/TNW (times)	0.4	0.5
Total Debt/OPBDIT (times)	NM	NM
Interest Coverage (times)	NM	NM
NWC/OI (%)	-	-

NM: Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

S · N o	Current Rating (FY2020)				Chronology of Rating History for the past 3 years								Date & Rating in FY2018	
	Name of Instrument	Type	Rated amount (Rs. Crores)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2019						Date & Rating in FY2017		
					June 2019	Nov 2018	Sep 2018	August 2018	June 2018	May 2018	April 2018	August 2017	Mar 2017	
1	Non-Fund Based Limit (B/G and L/C)	Long-Term / Short-Term	3712	3712	[ICRA]C/[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BB (Negative)/[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BB (Negative)/[ICRA]A4	[ICRA]BB (Negative)/[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BBB (Negative)/[ICRA]A2	[ICRA]BBB (stable)/[ICRA]A2	-	[ICRA]BBB (stable)/[ICRA]A2	[ICRA] A-(Stable)/[ICRA]A1	
2	Long Term Loans	Long-Term	2183	2010 ^{&}	[ICRA]C ISSUER NOT COOPERATING	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BB (Negative)	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative)	[ICRA]BBB (stable)	-	[ICRA]BBB (stable)	[ICRA] A-(Stable)	
3	Long Term - Fund Based Limits	Long-Term	80	60	[ICRA]C ISSUER NOT COOPERATING	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BB (Negative)	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative)	[ICRA]BBB (stable)	-	[ICRA]BBB (stable)	[ICRA] A-(Stable)	
4	Short Term – Non fund based Limits	Short-Term	40	0	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A2	[ICRA]A2	-	[ICRA]A2	[ICRA]A1	
5	Commercial Paper/ Short-term debt Programme/Non-Convertible Debentures*	Short-Term	1000	250	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A2	[ICRA]A2	-	[ICRA]A2	[ICRA]A1	
6	Non-Convertible Debentures	Long-Term	1000	795	[ICRA]C ISSUER NOT COOPERATING	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BB (Negative)	[ICRA]BB (Negative) ISSUER NOT COOPERATING	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BB (Stable)			

*with maturity less than one year; & as on end December 2017

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
-	Non Fund Based Limit (B/G and L/C)	-	-	-	3712	[ICRA]C/[ICRA]A4 ISSUER NOT COOPERATING
-	Long Term Loans	FY2014	10.50%	FY 2030	2183	[ICRA]C ISSUER NOT COOPERATING
-	Long Term - Fund Based Limits	-	-	-	80	[ICRA]C ISSUER NOT COOPERATING
-	Short Term – Non fund based Limits	-	-	-	40	[ICRA]A4 ISSUER NOT COOPERATING
INE614G07063	Long Term NCD	28-Mar-2018	12.18%	28-Mar-2025	545	[ICRA]C ISSUER NOT COOPERATING
INE614G07055	Long Term NCD	04-Apr-2018	12.18%	04-Apr-2025	250	[ICRA]C ISSUER NOT COOPERATING
-	Long Term NCD	To be issued	-	-	205	[ICRA]C ISSUER NOT COOPERATING
INE614G07071	Commercial Paper (CP)/ Short-term (ST) NCD 1	Jul-17	13.71%	May-20	250	[ICRA]A4 ISSUER NOT COOPERATING
-	CP/ ST NCD 3	To be issued	-	-	750	[ICRA]A4 ISSUER NOT COOPERATING

Source: Reliance Power Limited

Annexure-2: List of companies considered for consolidation

Company Name	Ownership	Consolidation Approach
Vidarbha Industries Power Limited	100%	Fully consolidated
Rosa Power Supply Company Limited	100%	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
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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