

November 29, 2023

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 debenture (NCD)	795.0	250.0	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not Co-operating category
Long-term Fund-based - Term loans	1,200.0	402.0	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not Co-operating category
Long-term Fund based – Cash Credit	49.0	42.0	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not Co-operating category
Long/Short-term - Non-fund based - Letter of Credit	245.0	146.0	[ICRA]D/[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not Co-operating category
Total	2,289.00	840.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has retained the ratings for the borrowings of Reliance Power Limited (R-Power) in the Issuer Not Co-operating category. The ratings are denoted as [ICRA]D/[ICRA]D; ISSUER NOT COOPERATING. The company remains non-cooperative on fee.

The ratings are 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 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 the requisite cooperation and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's ratings continue to be in the Issuer Not Co-operating category on fee.

Key rating drivers and their description

Credit strengths - None

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 on its debt servicing and is currently in discussions with the lenders for debt resolution/settlement. R-Power repaid the debt availed from Yes Bank (held by JC Flower ARC) in March 2023 through a mix of external source of funding and use of surplus cash upstreamed from its subsidiary, Rosa Power Supply Company Limited. The company is engaged with its lenders for repayment of the balance debt using the surplus from the operating assets under subsidiaries, monetisation of certain assets and through external sources of funding.

Limited asset base and revenue streams given its status as 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 company's operations have remained shut since January 15, 2019 and consequently, it has continued to default on its debt servicing obligations. After the expiry of the inter-creditor agreement (ICA) signed between 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 debt resolution with its lenders outside the corporate insolvency resolution process and had submitted one time settlement (OTS) proposal to its lenders. Meanwhile, the lenders assigned the VIPL debt to asset restructuring companies (ARCs). VIPL has challenged the assignment of debt to ARCs before the Bombay High Court. 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 has challenged the validity and legality of the termination letter, it has received unfavourable rulings from the Maharashtra Electricity Regulatory Commission (MERC) and the Appellate Tribunal of Electricity (APTEL). At present, 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.

uncertainty over non-operational Samalkot project – The Samalkot project continues to face 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. Samalkot Power Limited (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 pare the debt from US Exim Bank.

Exposure to counterparty credit risks associated with state-owned distribution utilities and fuel supply risks - 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. The counterparty credit risks are partially mitigated by the payment security mechanism in the PPAs. Further, the availability of fuel through fuel supply agreements with Coal India Limited for Rosa Power and through captive mines for Sasan Power lowers the fuel risk.

High capex for 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

RPL's liquidity position is poor with company delaying on its debt servicing obligations owing to the inadequacy of cash flows from operations. The company had cash and bank balances of Rs. 708 crores as on September 30, 2023, on a consolidated basis. However, most of the cash is held in various RPower subsidiaries and is subject to the restrictions imposed by the lenders at the project level. At a standalone level, the cash balances remain low with cash and bank balances of Rs. 8.08 crore as on September 30, 2023.

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 in respect of non-cooperation by the rated entity Policy on Default Recognition
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 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 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	
	FY2022	FY2023	FY2022	FY2023
Operating income	41.89	28.78	7503.11	7542.69
PAT	-277.32	654.71	-565.13	-361.36
OPBDIT/OI	22.01%	-1038.19%	36.27%	25.27%
PAT/OI	-662.02%	2274.88%	-7.53%	-4.79%
Total outside liabilities/Tangible net worth (times)	0.91	0.80	2.54	2.65
Total debt/OPBDIT (times)	741.55	-18.87	8.49	11.14
Interest coverage (times)	0.02	-1.58	1.16	0.75

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Nov 29, 2023	Apr 12, 2023	Mar 28, 2023	Nov 29, 2022	Nov 30, 2021	Nov 30, 2020
1 Term loans	Long Term	402	401	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER
				NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG
2 Cash Credit	Long Term	42	40	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER
				NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG
3 Non-fund based Limit (B/G and L/C)	Long Term/ Short Term	146	146	[ICRA]D / [ICRA]D ISSUER	[ICRA]D / [ICRA]D ISSUER	[ICRA]D / [ICRA]D ISSUER	[ICRA]D / [ICRA]D ISSUER	[ICRA]D / [ICRA]D ISSUER	[ICRA]D / [ICRA]D ISSUER
				NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG
4 Non-convertible debentures	Long Term	250	250	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER	[ICRA]D ISSUER
				NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG	NOT COOPERATI NG

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture (NCD)	Simple
Long-term Fund-based - Term loans	Simple
Long-term Fund based – Cash Credit	Simple
Long/Short-term Non-fund based - Letter of Credit	Very 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
INE614G07071	NCD	10-Jul-2017	8.00%	30-Jun-2035	250.00	[ICRA]D ISSUER NOT COOPERATING
NA	Term loans	FY2014	-	FY2030	402.00	[ICRA]D ISSUER NOT COOPERATING
NA	Cash Credit	-	-	-	42.00	[ICRA]D ISSUER NOT COOPERATING
NA	BG/LC	-	-	-	146.00	[ICRA]D/[ICRA]D ISSUER NOT COOPERATING

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
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
Vidarbha Industries Power 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	89%	Fully consolidated
Reliance Coal Resources Private Limited	100%	Fully consolidated
Reliance CleanGen 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 Limited	100%	Fully consolidated
Teling Hydro Power Private Limited	100%	Fully consolidated
Shangling Hydro Power Private Limited	100%	Fully consolidated
Reliance Geothermal Power Private Limited	75%	Fully consolidated
Reliance Green Power Private Limited (RGPPL)	100%	Fully consolidated
Moher Power Limited (MPL)	100%	Fully consolidated

Company Name	Ownership	Consolidation Approach
Samalkot Power Limited (SMPL)	100%	Fully consolidated
Reliance Solar Resources Power Private Limited	100%	Fully consolidated
Reliance Wind 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, Dubai	100%	Fully consolidated
Reliance Chittagong Power Company Limited	100%	Fully consolidated
RPL Sun Power Private Limited	50%	Equity method
RPL Photon Private Limited	50%	Equity method
RPL Sun Technique Private Limited	50%	Equity method

Source: Company

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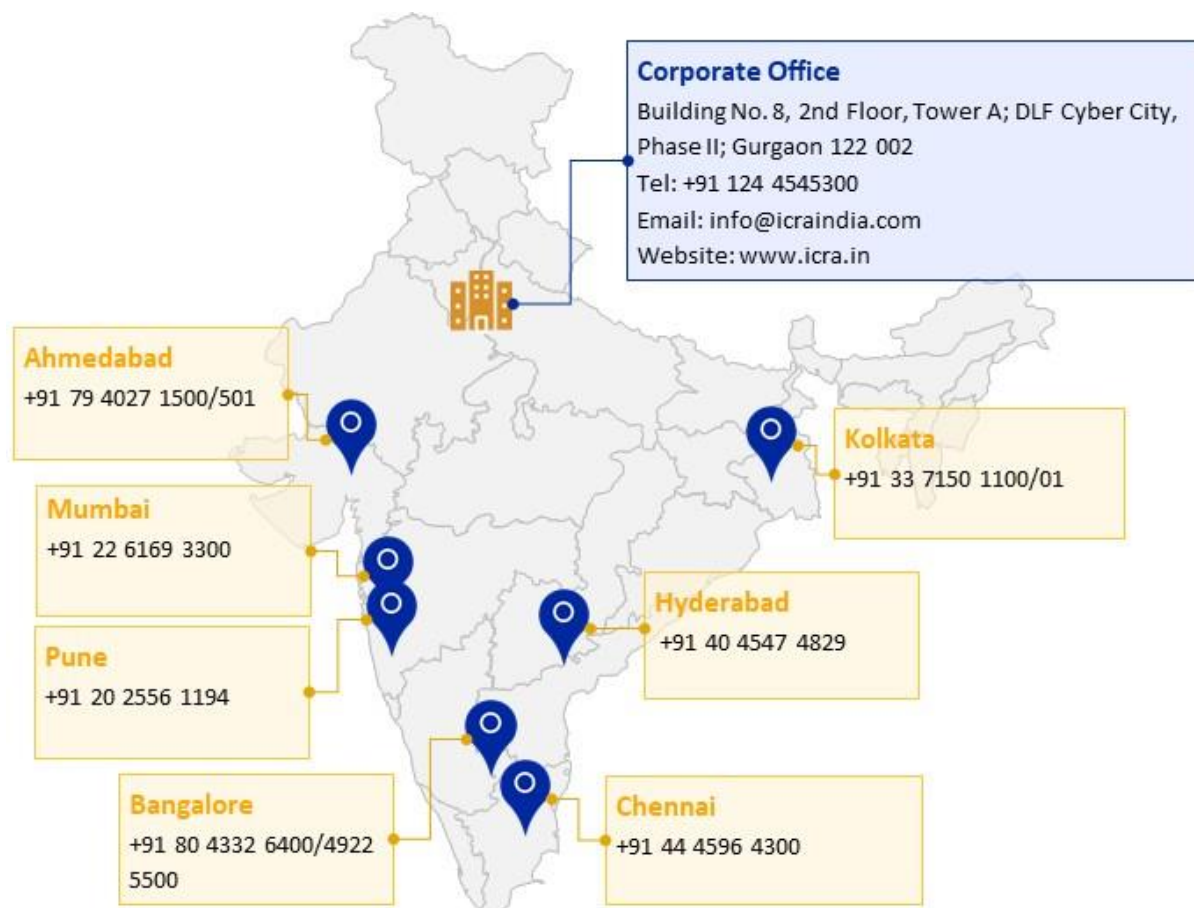


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