

January 25, 2024

Vidarbha Industries Power Limited: Rating continues to be 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 - Term loans	2,654.24	2,654.24	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not-Cooperating category
Short-term, fund-based - Cash credit	500.00	500.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not-Cooperating category
Short-term - Non-fund based	110.00	110.00	[ICRA]D ISSUER NOT COOPERATING, rating continues to be under Issuer Not-Cooperating category
Total	3,264.24	3,264.24	

*Instrument details are provided in Annexure I

Rationale

ICRA has retained the ratings for the bank facilities of Vidarbha Industries Power Limited in the Issuer Not-Cooperating 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 February 2023. As a part of its process and in accordance with its rating agreement with Vidarbha Industries Power Limited (VIPL), ICRA has been sending repeated reminders to the entity for the 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-Cooperating category on fee.

The rating factors in the continuing delays in debt servicing by VIPL to the lenders. VIPL is engaged with its lenders for the resolution of its debt issues. The company's liquidity profile continues to be poor, evident from its weak net cash accruals, given the non-operational status of the plant since January 15, 2019. This was due to protracted delays in issuing regulatory orders and lack of fuel supply for one of the units. Further, the offtaker, Adani Electricity Mumbai Limited (AEML), issued a power purchase agreement (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 the Maharashtra Electricity Regulatory Commission (MERC) and the 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 any other entity for operating the thermal station to recover their dues, as per the provisions of the PPA.

One of the lenders of VIPL has filed an application under the provisions of the Insolvency & Bankruptcy Code (IBC), 2016, in January 2020, seeking debt resolution of VIPL. The matter is still pending for consideration by the National Company Law Tribunal (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. Meanwhile, the lenders have assigned VIPL's debt to Asset Reconstruction Companies (ARCs).

Key rating drivers and their description

Credit strengths

Not applicable.

Credit challenges

Continued delays in debt servicing - VIPL and its lenders signed an ICA on July 6, 2019, basis which a standstill was achieved for 180 days for the submission and implementation of the resolution plan. The ICA expired on January 06, 2020, but the debt resolution plan is yet to be finalised. Meanwhile, the company has continued to delay the servicing of its debt obligations to the lenders. The company is in continuous discussion with its lenders for the resolution of its debt. However, one of the lenders of VIPL has filed an application under the provisions of the IBC, 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 the NCLT for insolvency proceedings. Meanwhile, the lenders have assigned VIPL's debt to Asset Reconstruction Companies (ARCs).

Non-operational status of plant from January 15, 2019 - The entire capacity of the Butibori power plant (600 MW) has remained non-operational from January 15, 2019 due to protracted delays in issuing regulatory orders and lack of fuel supply for one of the units. Subsequently, there has not been any income from the sale of power, which has impacted the company's accruals and has resulted in continuing delays in its debt servicing obligations.

PPA termination notice by offtaker and subsequent exercise of 'substitution right' by lenders - The offtaker, AEML, had 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 MERC and APTEL and, currently, the matter is pending at the Supreme Court. Meanwhile, post the PPA termination notice by the procurer, the lenders have exercised their right to substitute VIPL with other entity for operating the thermal station to recover their dues, as per the provisions of the PPA.

Liquidity position: Poor

VIPL's liquidity position is poor, reflected in its 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 Policy in respect of non-co-operation by the rated entity Rating Methodology for Thermal Power Producers Policy on Default Recognition
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

VIPL, a subsidiary of Reliance Power Limited, belongs to the Reliance Group promoted by Mr. Anil D Ambani. It operates a domestic coal-based project with a capacity of 600 MW (2X300 MW) at the Butibori Industrial Area in Nagpur, Maharashtra. The project was awarded to erstwhile Reliance Energy Limited (currently R-Infra) in 2005 (which was subsequently transferred to R-Power) as a group captive power project (GCPP) by the Maharashtra Industrial Development Corporation (MIDC) on a competitive bidding basis. Initially, the scope of the project involved developing a 1X300 MW power plant; however, subsequently, the company decided to change the scope of the project by doubling its size to 600 MW (2 X 300 MW) to derive economies of scale through better utilisation of certain common facilities. Also, VIPL decided to operate the entire project as an independent power producer (IPP) and signed a PPA (approved by MERC) under a cost-plus regime for its entire contracted capacity of 600 MW for the supply of power from April 01, 2014 onwards. The PPA was signed with Reliance Infrastructure Ltd (R-Infra), a distribution licensee in Mumbai R-Infra, and subsequently assigned to Adani Electric Mumbai Limited (AEML) following the acquisition of R-Infra's Mumbai licence area business by AEML. The commercial operation date (CoD) for VIPL's Unit I was declared on April 03, 2013, while the CoD for Unit II was declared on March 28, 2014.

Key financial indicators (audited):

	FY2022	FY2023
Operating income	4.3	4.5
PAT	-615.0	-618.8
OPBDIT/OI	-364.3%	-365.2%
PAT/OI	-14335.0%	-13629.5%
Total outside liabilities/Tangible net worth (times)	-6.1	-3.5
Total debt/OPBDIT (times)	-246.7	-256.2
Interest coverage (times)	-0.0	-0.0

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

SN	Instrument	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Nov 21, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jan 25, 2024	Feb 01, 2023	Jan 03, 2022	Nov 30, 2020
1	Term loans	Long-Term	2654.24	2654.24	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING
2	Cash credit	Short-Term	500.00	500.00	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING
3	Non-fund based limit (B/G and L/C)	Short-Term	110.00	110.00	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING	[ICRA]D ISSUER NOT CO-OPERATING

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund-based - Term loans	Simple
Short-term - Fund-based - Cash credit	Simple
Short-term - Non-fund based limits	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
NA	Term loan 1	FY2015	-	FY2030	207.42	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Term loan 2	FY2016	-	FY2029	157.76	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Term loan 3	FY2015	-	FY2029	951.84	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Term loan 4	FY2016	-	FY2029	356.83	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Term loan 5	FY2015	-	FY2029	268.15	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Term loan 6	FY2015	-	FY2029	178.41	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Term loan 7	FY2016	-	FY2020	193.83	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Term loan - Unallocated	-	-		340.00	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Cash credit	-	-		500.00	[ICRA]D; ISSUER NOT CO-OPERATING
NA	Bank guarantee/Letter of credit	-	-		110.00	[ICRA]D; ISSUER NOT CO-OPERATING

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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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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