

February 09, 2024

## INR Energy Ventures Private Limited: Rating reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	225.0	435.0	[ICRA]A (Stable); reaffirmed and assigned for enhanced amount
<b>Total</b>	<b>225.0</b>	<b>435.0</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation takes into account INR Energy Ventures Private Limited's (INREVPL) satisfactory track record of power generation in FY2023 and 8M FY2024 with PLF levels remaining in line with the P-90 estimates, and the low counterparty risk with presence of long-term power purchase agreements (PPAs) for the entire power generation capacity (60 MW). All the open access consumers are commercial buildings that are managed and owned by the Prestige Group and the Blackstone Group (Nucleus Office Parks). The company has signed PPAs for 25 years with effect from April 2021 compared to the remaining term loan tenure of 15 years, resulting in low market risk. The amended PPA provides for adequate liquidated damages, in case of default or termination by the counterparties, to cover the debt outstanding and further makes it prohibitive for any termination. The rating continues to draw comfort from the healthy profitability and return metrics of the project, backed by high tariff rates and waiver of open access charges for a period of ten years from commissioning. The rating notes the comfortable debt coverage indicators with cumulative DSCR at around 1.30 times. The rating also favourably considers the strong investor profile of the company, which is a part of the Blackstone Group, one of the leading global investors in real estate and infrastructure. INREVPL derives financial flexibility by being part of a strong Group.

The rating is, however, constrained by the vulnerability of the cash flows to variations in solar irradiance level and any regulatory changes, with respect to various charges, duties and other aspects related to power generation and supply in the future. ICRA notes that Karnataka Electricity Regulatory Commission's (KERC) May 2018 order, which restricted the waiver on open access charges, has been quashed by the Karnataka High Court. The cash flows are susceptible to the risk of downward revision of tariff rates by Bangalore Electricity Supply Company Limited (BESCOM), given that PPA tariff with the counterparties is fixed at BESCOM tariff levels. BESCOM's tariff for FY2024 for the highest slab of HT2B1 tariff category is set at Rs. 9.25 per unit compared to Rs. 9.40 per unit for the previous year. The tariffs realised are vulnerable to any decline in offtake from the counterparties considering realisations from third party sales could be lower than the PPA tariff.

The Stable outlook on the rating reflects ICRA's opinion that the company will continue to benefit from the long tenure of PPAs at very remunerative rates thereby maintaining healthy debt servicing indicators.

### Key rating drivers and their description

#### Credit strengths

**Strong promoter profile** – The company was established by the promoters of the Prestige Group (one of the leading real estate developers in South India), which was taken over by the Blackstone Group, one of the leading global investors in real estate and infrastructure. INREVPL derives financial flexibility by being a part of a strong Group.

**Long tenure of PPAs with tariffs linked to prevailing grid tariffs; low counterparty risk** – The counterparty risk is low as all the open access consumers are commercial buildings and properties that are managed or owned by the Prestige Group and the Blackstone Group (Nucleus Office Parks). Further, the company has signed an amended PPA in April 2021, which is valid for the next 25 years compared to the remaining term loan tenure of 15 years, resulting in low market risk. The amended PPA

provides for adequate liquidated damages, in case of default or termination by the counterparties, to cover the debt outstanding and further makes it prohibitive for any termination.

**Healthy profitability and debt coverage metrics** – The company has demonstrated a satisfactory track record of generation and billing of electricity during the past four years, with generation close to the P-90 level. As per the PPA, the tariffs are linked to BESCOM's prevailing tariffs. Moreover, INREVPL enjoys a waiver on open access charges such as cross-subsidy charge, banking and wheeling charges, transmission, and wheeling losses for 10 years from the date of commissioning. This results in high net realisations from the projects, along with strong profitability and return metrics. The cumulative DSCR is expected to remain comfortable at around 1.30 times.

### Credit challenges

**Cash flows vulnerable to variations in solar irradiance or offtake by consumers** – The key factors impacting the solar plant's operations are solar radiation levels, losses in photovoltaic (PV) systems due to temperature and climatic conditions, design parameters of the plant, inverter efficiency and module degradation owing to ageing. The tariffs realised are vulnerable to any decline in offtake from the counterparties considering realisations from third party sales could be lower than the PPA tariff.

**Exposed to adverse regulatory developments or tariff revisions** – As the tariffs for the counterparties are fixed by BESCOM (currently at Rs. 9.25/unit for FY2024), any downward revision in tariffs by BESCOM would impact the project's profitability. Any regulatory changes, with respect to various charges, duties and other aspects related to power generation and supply, would impact the project's cash flows. The company enjoys concessional open access charges, which support the high net tariff realised. Any withdrawal of such concessions may adversely impact the accruals and debt coverage metrics. ICRA notes that the KERC's May 2018 order, which restricted the waiver on open access charges, has been quashed by the Karnataka High Court.

### Liquidity position: Adequate

As of November 2023, the liquidity position is adequate with free cash and liquid balances of Rs. 32.3 crore. The company has scheduled debt (Principal + Interest) repayments of Rs. 41.6 crore and Rs. 45.0 crore towards the existing loans in FY2024 and FY2025, respectively, which can be comfortably met from its cash flow from operations.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if the company demonstrates an improvement in their operational risk profile through improved revenue and surpluses. Specific credit metrics that could lead to a rating upgrade include cumulative DSCR of above 1.50 times.

**Negative factors** – Pressure on the rating could arise in case of a reduction in tariff rate or a decline in generation, or if there is a delay in receipt of payments from the customers. Negative pressure on the rating could arise if the cumulative DSCR over the loan tenure falls below 1.20 times.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Power-Solar</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone; Belgaum Solar Power Private Limited (BSPPL), which was earlier a wholly-owned subsidiary of INREVPL has been amalgamated with INREVPL on July 12, 2023 with effective date of April 01, 2023. The scheme was approved by Regional Director (South-East Region), Ministry of Corporate Affairs and as per the scheme all the assets and liabilities of BSPPL are now transferred to INREVPL.

## About the company

INR Energy Ventures Private Limited (INREVPL) is involved in solar power generation and sale of its power to commercial category consumers under third party open access mechanism in the state of Karnataka. The company has two 30 MW solar power projects in the state of Karnataka and supplies power to counterparties with whom they have signed long term power purchase agreements (PPAs) through the third-party open access mode. The projects benefit from the solar power policy of Karnataka Electricity Regulatory Commission which provides significant waiver of open access charges for solar power plants commissioned by March 2018. The plants were commissioned in March 2018.

## Key financial indicators (audited)

	FY2022*	FY2023*
Operating income	105.2	113.0
PAT	1.5	-80.9
OPBDIT/OI	90.8%	89.9%
PAT/OI	1.4%	-71.6%
Total outside liabilities/Tangible net worth (times)	19.1	-17.7
Total debt/OPBDIT (times)	7.5	6.8
Interest coverage (times)	1.5	1.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; All ratios as per ICRA's calculation

\*Standalone financials of INREVPL and BSPPL consolidated by ICRA

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Nov 30, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020
					Feb 09, 2024	Jun 20, 2023	Dec 23, 2022	Jun 09, 2022	-	-
1	Term loans	Long term	435.0	429.9	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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	Feb-23	NA	Jan-38	435.0	[ICRA]A (Stable)

Source: Company

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

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

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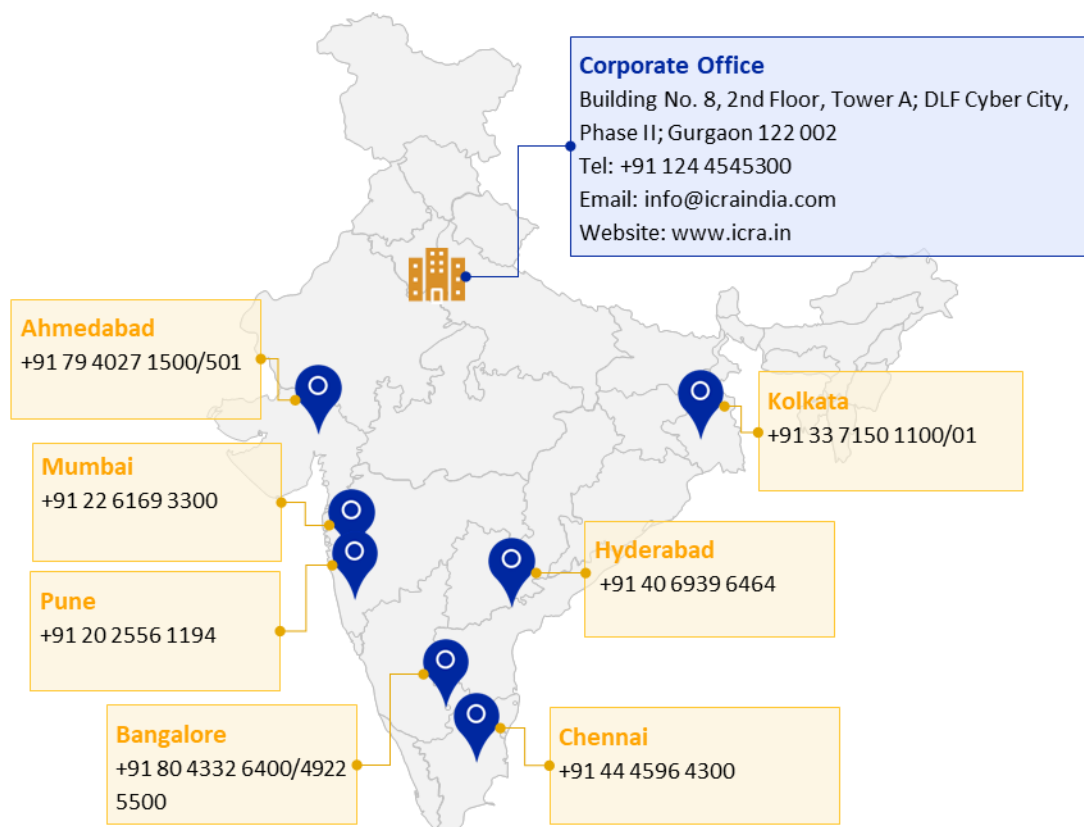


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