December 23, 2022(Revised)

INR Energy Ventures Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term loan	200.00	200.00	[ICRA]A (Stable); reaffirmed
Total	**200.00**	**200.00**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of INR Energy Ventures Private Limited (INREVPL) and its subsidiary, Belgaum Solar Power Private Limited (BSPPL), together referred to as the rated entities, given their common management and financial linkages. These entities together operate solar power plants with a total capacity of 60 MW_{AC}. Mamadapur Solar Private Limited (MSPL) which was previously consolidated with INREVPL and BSPPL, has not been considered for consolidation in the current rating exercise, as it is no longer a subsidiary of INREVPL. MSPL has prepaid its entire external debt and its rating has been withdrawn based on the no dues certificate received from its lender.

The rating reaffirmation takes into account the strong investor profile of the rated entities, which are a part of the Blackstone Group, one of the leading global investors in real estate and infrastructure. The rated entities derive financial flexibility being part of a strong Group. The rating considers the satisfactory track record of power generation in FY2022 and 6M FY2023 with PLF levels in line with the P-90 estimates and the low counterparty risk 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). The rating continues to draw comfort from the strong 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 and the comfortable debt coverage indicators. The company has signed power purchase agreements (PPA) for 25 years with effect from April 2021 compared to the remaining term loan tenure of nine years, resulting in low market risk. The amended PPA also 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. Further, in the absence of commission charges that were paid earlier to the facility management division of Prestige Estates Projects Limited (PEPL), the profitability has improved from FY2022.

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 the Karnataka Electricity Regulatory Commission's (KERC) May 2018 order, which restricted the waiver on open access charges, has been set aside 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). The tariff for power generation is fixed according to BESCOM's tariff rate levels, as per the PPA with the counterparties. The tariffs realised are vulnerable to any decline in offtake from the counterparties, as witnessed in FY2022 (Rs. 8.61/unit) due to the Covid-19 pandemic, considering realisations from third-party sales could be lower than the PPA tariff. Starting April 2022, the entities have been realising the actual PPA tariff of Rs. 9.40/unit.

ICRA notes that the entities are likely to avail up to Rs. 150 crore of top-up loans for partly repaying the outstanding Optionally Convertible Debentures (OCD) infused by the Blackstone Group resulting in marginally higher leverage levels. Nonetheless, the coverage ratios on the secured debt (including top-up loan) are expected to remain comfortable, supported by escrow of collections from the counterparties.

The Stable outlook on the rating reflects ICRA's opinion that the rated entities will continue to benefit from the long tenure of PPAs at very remunerative rates, healthy debt servicing indicators and strong financial flexibility for being a part of the Blackstone Group.

Key rating drivers and their description

Credit strengths

Strong promoter profile – BSPPL and INREVPL, established by the promoters of the Prestige Group (one of the leading real-estate developers in South India), have been taken over by the Blackstone Group, one of the leading global investors in real estate and infrastructure. The rated entities derive financial flexibility being a part of a strong Group.

Long tenure of PPAs with tariff rates linked to prevailing grid tariff rates; 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 nine 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 entities have demonstrated a satisfactory track record of generation and billing of electricity during the past four years, with generation close to the P90 level. The tariff rates as per the PPA are linked to BESCOM's prevailing tariff rates. Moreover, the rated entities enjoy 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. Further, the profitability has improved in FY2022 in absence of commission charges from FY2022 that were paid earlier to PEPL's facility management division. This results in high net realisations from the projects, along with strong profitability and return metrics. The cumulative DSCR is expected to remain comfortable.

Credit challenges

Cash flows vulnerable to variation 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 also vulnerable to any decline in offtake from the counterparties, as witnessed in FY2022 (Rs. 8.61/unit) on account of the Covid-19 pandemic, as realisations from third-party sales could be lower than the PPA tariff. However, starting April 2022, the entities have been realising the actual PPA tariff of Rs. 9.40/unit.

Exposed to adverse regulatory developments or tariff revisions – As the tariff rate for the counterparties are fixed at the BESCOM level (currently at Rs. 9.40/unit), any downward revision in tariff 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 rated entities enjoy 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 KERC's May 2018 order, which restricted the waiver on open access charges, has been set aside by the Karnataka High Court.

Liquidity position: Adequate

As of September 2022, the combined liquidity position of the rated entities is adequate with cash of Rs. 4.9 crore and liquid investments of Rs. 32.4 crore. Additionally, DSRA of Rs. 17.3 crore (equivalent to debt servicing for one quarter of both the entities) is maintained. The rated entities have scheduled debt repayments (principal and interest) of Rs. 61.7 crore towards the existing loans in FY2023, which can be comfortably met from its cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the rated entities demonstrate 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 above 1.5 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 Total External Debt/ OPBITDA increases above 5 times, on a sustained basis, or cumulative DSCR over the loan tenure falls below 1.20 times.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology] [Rating Methodology for Solar Power Producers] [Consolidation and Rating Approach]
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has taken a consolidated view of INREVPL, along with its subsidiary, BSPPL, given their common management and financial linkages

About the company

INR Energy Ventures Private Limited (INREVPL) is involved in generation and sale of solar power to commercial consumers under the third-party open access mechanism in Karnataka. INREVPL's solar power business, along with its shareholding in BSPPL and MSPL, were vested under INREVPL as approved by the NCLT. BSPPL is a subsidiary of INREVPL. The entities have set up two 30-MW_{AC} ground mounted solar power projects in Karnataka to supply power to counterparties, with which they have signed long-term PPAs. It benefits from the solar power policy of KERC, which provides significant waiver of open access charges for the solar power plants commissioned before March 2018.

Key financial indicators (audited)

Consolidated*	FY2021	FY2022
Operating income	94.4	105.2
PAT	2.4	1.5
OPBDIT/OI	79.6%	90.8%
PAT/OI	2.5%	1.4%
Total outside liabilities/Tangible net worth (times)	-89.2	19.1
Total debt/OPBDIT (times)	11.1	7.5
Interest coverage (times)	1.8	1.5

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; all ratios as per ICRA's calculations *ICRA Estimates*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)					Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Dec 23, 2022	Jun 09, 2022	-	-	-
1	**Term loan**	Long term	200.0	168.9*	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**	-	-	-

**As per FY2022 audited financials*

Complexity level of the rated instruments

Instrument	Complexity Indicator
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
-	**Term loan-I**	June 18, 2018	-	April-2028	120.0	[ICRA]A (Stable)
-	**Term loan-II**	March 11, 2020	-	August -2030	80.0	[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

Company Name	Ownership	Consolidation Approach
Belgaum Solar Power Private Limited	100%	Full Consolidation

Corrigendum

Document dated December 23, 2022 has been corrected with revision as detailed below:

- “Rationale”, Page 1: The sentence containing term loan tenure of 9 years is rephrased to **remaining** term loan tenure of 9 years. Similar change is made on page 2 in credit strengths section.
- "Liquidity Position", Page 3: The liquidity position is updated to include liquid investments of Rs. 32.4 crore and free cash of Rs. 4.9 crore as on September 30, 2022.
- “Key financial indicators”, Page 4: The FY2022 PAT is changed to Rs. 1.5 crore and PAT/OI to 1.4%.

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