



Press Release

IA Hydro Energy Private Limited

April 26, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities-Term Loan	225.00 ^ (reduced from Rs.258.46 crore)	IVR BBB+ [CE]; Positive Outlook (IVR Triple B Plus [Credit Enhancement] with Positive Outlook) *	Revised
Long Term Bank Facilities-Cash Credit	1.39 (reduced from Rs.2.90 crore)	-	Withdrawn**
Short Term Bank Facilities Bank Guarantee	2.00 (reduced from Rs.5.00 crore)	-	Withdrawn**
Total	225.00		

* CE rating based on by unconditional and irrevocable corporate guarantee from its parent Shri Bajrang Power & Ispat Limited(rated: IVR BBB+; Positive /IVR A2)

^Outstanding as on March 31, 2021

**At the request of the entity and based on the no-due certificate by the lender

Details of Facilities are in Annexure 1

Note: Previously the long term and short-term ratings were IVR BBB-/Stable (IVR Triple B minus with Stable outlook) and IVR A3 (IVR Single A Three) respectively on a standalone basis. However, now Infomerics have assessed the credit profile of the company based on an explicit credit enhancement through unconditional and irrevocable corporate guarantee extended by its parent company Shri Bajrang Power & Ispat Limited.

Detailed Rationale

The revision in the ratings assigned to the bank facilities of IA Hydro Energy Private Limited (IAHEPL) takes into account the change in **analytical approach** based on irrevocable and unconditional corporate guarantee from its parent Shri Bajrang Power & Ispat Limited (SBPIL). This corporate guarantee results in credit enhancement in the rating of the said instrument to **IVR BBB+ (CE)/Positive Outlook (IVR Triple B Plus [Credit Enhancement] with Positive Outlook)** against the unsupported rating of **IVR BB+/Positive (IVR Double B**



Press Release

plus with Positive Outlook). Further, the ratings also derives strength from availability of long term PPA with Haryana Power Purchase Centre (HPCC) and improvement in operating margin in FY20. However, these rating strengths remain constrained by its moderate financial risk profile and decrease in operating income in FY20. The outlook is positive as refinancing of term loan by IREDA would lead to improvement in debt coverage metrics such as DSCR.

Key Rating Sensitivities:

Upward factors

- Significant improvement in capital structure and debt protection metrics
- Improvement in the credit profile of the corporate guarantee provider

Downward factors

- Reduction in PLF impacting the operating performance thereby the profitability on a sustained basis
- Deterioration in the credit profile of the corporate guarantee provider or weakening of support extended by the parent

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong parentage and corporate guarantee from Shri Bajrang Power and Ispat Ltd

IAHEPL is owned and promoted by Shri Bajrang Power and Ispat Ltd. (rated: IVR BBB+; Positive /IVR A2) which holds 90.46% stake and the remaining stake is held by Shri Bajrang Energy Pvt. Ltd. (8.0%) and rest by individuals. IHEPL has implemented a 36 MW (3*12 MW, three Francis turbines) run of the river Hydel power project on Chanju Nallah, a tributary of Baira Nallah and sub-tributary of Ravi River, in Himachal Pradesh. The project achieved COD on February 18, 2017. IAHEPL over the period has received need-based funding support from its parent company Shri Bajrang Power and Ispat Ltd where Rs.227 crore was infused through equity in FY18 to support the cost of project over run from



Press Release

Rs.307.52 crore to Rs.631.20 crore. Further, Shri Bajrang Power and Ispat Ltd has extended corporate guarantee to IAHEPL. Going forward, Infomerics believes timely, need based financial support will also be extended by the parent, in case of pressure on cash flows. Shri Bajrang Power and Ispat Limited (SBPIL) was promoted by the Goel family in 2002. SBPIL is the flagship company of Raipur based Shri Bajrang group. The group has been in the iron and steel industry since 1991. Promoters have an extensive industry experience of around three decades. The company's Board of Directors comprises ten members (four representing promoter's family, one whole time director and five independent directors). Mr. Suresh Goel is the Chairman of the Board and Mr. Narendra Goel (brother of Mr. Suresh Goel) is the Managing Director of the company. SBPIL has registered an operating income of ~Rs.2582 crore in FY20 as compared to ~Rs.2579 crore in FY19.

Availability of long term PPA Agreement ensures revenue visibility

IA Hydro had initially entered into a PPA agreement with Chhattisgarh State Power Distribution Company Limited (CSPDL) for a period of 35 years at an indicative tariff rate of Rs.5.25 per unit. The PPA Agreement with CSPDL had a tariff rate of Rs.5.25 per unit which was inclusive of transmission cost of power from Himachal to Chhattisgarh. Thus the net effective rate was less than Rs.4 per unit. It had terminated that PPA and then later on signed a fresh PPA agreement with Haryana Power Purchase Centre (HPCC) in May 2018 for purchase of power on behalf of Uttar Haryana Bijli Vitran Nigam (UHBVN) and Dakshin Haryana Bijli Vitran Nigam (DHBVN). The agreement has been signed for a period of 35 years for a tariff rate of Rs.4.50/ kWh ex-generating Bus for sale of power. The power is currently being sold at an interim tariff rate of Rs.3.99 per unit. The same is expected to improve to Rs.4.50 per unit from FY21. Availability of long term PPA limits the demand and pricing risk of IA Hydro. Further availability of the long term PPA agreement provides revenue visibility, driven by assured offtake of power by HPCC.

Operational track record

IAHEPL commenced its operations and achieved COD in Feb'17. It has successfully completed operational record of over 3.5 years in the business. It has generated 168.04 MU in FY20 as compared to 136.19 MU in FY19 and has generated 146.28 MU during the last



Press Release

eight months (Apr'20-Nov'20). The average PLF is ~ 71 % during eight months of the current financial year which is same as compared the same period last year.

Improvement in operating margin in FY20

The operating margin has improved by 177 bps in FY20 as the plant load factor improved in FY20, thereby improving overall production. Moreover, increase in proportion of revenue from sale of electricity compared to low margin trading operations also led to improvement in operating margin.

Key Rating Weaknesses

Moderate Financial Risk Profile

The financial risk profile of the company is moderate. The overall gearing of the company stood at 2.38x as on 31st March'20 as compared to 2.56 x as on 31st March'19. The debt protection is modest marked by interest coverage ratio of 1.35x in FY20.

Decrease in operating income in FY20

Total operating income of the company decreased from Rs. 99.19 crore in FY19 to Rs. 79.81 crore. In FY20, revenue from trading of import licence decreased from Rs. 51.64 crore in FY19 to Rs. 19.29 crore in FY20. However, the revenue from core activity i.e sale of electricity increased by ~27% to Rs.60.51 crore as against Rs. 47.55 crore in FY19. During FY21(Provisional), the company has achieved a revenue of ~Rs. 87.90 crore.

Analytical Approach: Credit Enhancement (CE) rating: Assessment of the credit profile of Shri Bajrang Power and Ispat Ltd, provider of irrevocable and unconditional corporate guarantee to the credit facilities aggregating to Rs.225 crore of IAHEPL.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Parent & Group Support

Rating methodology for Structure Debt Transactions (Non-securitisation Transactions)

Liquidity - Adequate



Press Release

The liquidity profile of IAHEPL appears to be adequate. Its cash accruals are expected to be adequate to meet its repayment obligations. Moreover, the rating receives comfort from the financial flexibility of the strong parent company and instances of need based support extended to IAHEPL.

About the Company

Incorporated in 2017, IA Hydro Energy Private Limited (IAHEPL) is promoted by the Goel group of Raipur (Chhattisgarh) and it is the group's first venture into the hydel power industry. IAHEPL operates a hydel power plant of 36 MW (12 MW x 3 units) in the Chamba district of Himachal Pradesh in northern region which is a clean and green renewable energy source. The project achieved COD on February 18, 2017.

Financials (Standalone):

	(Rs. crore)	
For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	99.19	79.81
Total Income	99.19	80.07
EBITDA	60.78	50.32
PAT	-0.94	-2.70
Total Debt	427.20	400.82
Tangible Net worth	166.88	168.07
EBITDA Margin (%)	61.28	63.05
Overall Gearing Ratio (x)	2.56	2.38

**Classification as per Infomerics' Standard*

Financials of the Corporate Guarantor: Shri Bajrang Power and Ispat Ltd

	(Rs. Crore)	
For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	2578.71	2582.29
Total Income	2602.10	2600.67
EBITDA	445.11	328.66
PAT	231.95	148.51
Total Debt	734.83	814.60
Adj. Tangible Net worth	572.76	721.22
EBITDA Margin (%)	17.26	12.73
PAT Margin (%)	8.91	5.71
Overall Gearing Ratio (x)	1.28	1.13

**Classification as per Infomerics' Standard*

Status of non-cooperation with previous CRA: Nil



Press Release

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	225.00*	IVR BBB+ [CE]; Positive Outlook	-	IVR BBB-/Stable Outlook (February 6, 2020)	-
2.	Cash Credit	Long Term	1.39	Withdrawn	-	IVR BBB-/Stable Outlook (February 6, 2020)	-
3.	Bank Guarantee	Short term	2.00	Withdrawn	-	IVR A3	-

*Outstanding as on March 31, 2021

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ashish Agarwal Tel: (033) 46022266 Email: aagarwal@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
--	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the



Press Release

management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 2041	225.00*	IVR BBB+ [CE]; Positive Outlook
Cash Credit	-	-	-	1.39	Withdrawn
Bank Guarantee	-	-	-	2.00	Withdrawn

**Outstanding as on March 31, 2021*

Annexure 2: Facility wise lender details (Hyperlink to be added)

<https://www.infomerics.com/admin/prfiles/Lender-IA-Hydro-Energy-Private-Limited-.pdf>