



Press Release

Revised Press Release

IA Hydro Energy Private Limited

August 16, 2023

Rating

Instrument Facility /	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	198.00^ (reduced from Rs. 209.08 crore)	IVR A [CE]; Stable (IVR Single A [Credit Enhancement] with Stable Outlook) *	Revised	Complex
Total	198.00 (One hundred ninety eight crore)			

*CE rating based on enforceable, irrevocable and unconditional corporate guarantee from its parent Shri Bajrang Power & Ispat Limited (SBPIL) rated at IVR A/Stable/A1

^Outstanding as on March 31, 2023

Unsupported Rating¹	Revised from IVR BB+/Stable (IVR Double B plus with Stable Outlook) to IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
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Note: Unsupported rating does not factor in enforceable, irrevocable and unconditional corporate guarantee from its parent Shri Bajrang Power & Ispat Limited (SBPIL)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating of the credit facilities of IA Hydro Energy Private Limited (IAHEPL) is based on the enforceable, unconditional and irrevocable corporate guarantee from SBPIL which covers the entire amount of the rated facilities. This corporate guarantee results in credit enhancement in the rating of the said instrument. Further, the revision in the Credit Enhancement rating to IVR A [CE]; Stable (IVR Single A [Credit Enhancement] with Stable Outlook) reflects revision in the rating of the corporate guarantor, SBPIL ([vide PR dated February 8, 2023](#)). The revision in the standalone/unsupported rating assigned to the credit facilities of IAHEPL considers improvement in its financial risk profile. Further, the rating continues to derive comfort from availability of long-term Power Purchase Agreement (PPA) with Haryana Power Purchase Centre (HPCC) and presence of Debt Service Reserve Account (DSRA). However, these

¹ As stipulated vide SEBI circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019



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rating strengths continue to remain constrained by IAHEPL's exposure to the risk of adverse variation in water availability which may impact the company's operating performance.

Adequacy of credit enhancement structure

In view of the RBI's Guidance Note dated April 22, 2022 and the FAQ document dated July 26, 2022 for assigning CE ratings, Infomerics has reviewed the attributes of the guarantee issued by SBPIL in favour of the rated facility. Except definite invocation and payment mechanism, the guarantee meets all other key attributes such as legally enforceable, irrevocable, unconditional, cover the entire amount and tenor of the rated facility. However, as per the clarification given by RBI vide FAQ dated July 26, 2022, for existing loans, the Credit Rating Agencies may reckon the existing guarantees till the residual tenure of the rated instrument. Accordingly, Infomerics has considered the existing corporate guarantee for the purpose of credit enhancement. The capital structure and debt protection metrics of SBPIL remain adequate.

Transaction Structure

In event of payment default, the following structure will be applicable:

The guarantor shall upon demand by IREDA forthwith pay to IREDA without demur all the amounts which shall become due and payable by the borrower.

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



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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 A; Stable /IVR A1) which holds 90.46% stake, and the remaining stake is held by Shri Bajrang Energy Pvt. Ltd. (8.0%) and rest by individuals. 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 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. SBPIL has registered an operating income of ~Rs.4500 crore in FY23.

Availability of long term PPA ensures revenue visibility

IAHEPL had initially entered a PPA 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 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 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. Availability of long term PPA limits the demand and pricing risk of IAHEPL. Further availability of the long term PPA provides revenue visibility, driven by assured offtake of power by HPCC.

Improvement in financial risk profile

Revenue from sale of electricity increased from Rs.49.60 crore in FY22 to Rs.88.41 crore in FY23 due to recognition of sales of earlier years of Rs.41.96 crore following Hon'ble Haryana Electricity Regulatory Commission passing order for determination of tariff for sale of power to Haryana Power Purchase Center from Chanju 1 HEP @ 4.50/KWh. Earlier power was sold at an interim tariff rate of Rs.3.99 per unit. Further, the company has witnessed improvement in its leverage ratios with overall gearing and TOL/TNW of 1.58x and of 1.64x respectively as on



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March 31, 2023 compared to 1.94x and 1.99x as on March 31, 2022. This improvement is mainly driven by repayment of term loan and accretion to reserves. Driven by higher EBITDA and lower finance cost, Interest coverage ratio also improved from 1.41x in FY22 to 3.08x in FY23.

Presence of DSRA

The company is maintaining DSRA, which is equivalent to three months of debt servicing obligations for its loan from IREDA. This provides additional comfort to the lender.

Key Rating Weaknesses

Exposed to risk of water availability

The operations of the company remain exposed to hydrology risks, where any adverse variation in water availability would lower the generation and thus impact the company's revenue and its overall debt protection metrics.

Analytical Approach: Credit Enhancement (CE) rating: Assessment of the credit profile of Shri Bajrang Power and Ispat Ltd, provider of legally enforceable, 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](#)

[Criteria of assigning rating outlook](#)

[Rating methodology for Structure Debt Transactions \(Non-securitisation Transactions\)](#)

Liquidity – Adequate



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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

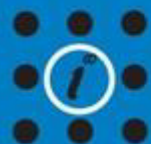
Incorporated in 2017, IA Hydro Energy Private Limited (IAHEPL) is promoted by the Goel group of Raipur (Chhattisgarh) and it is the group's first venture into the hydel power industry. IAHEPL operates a hydel power plant of 36 MW (12 MW x 3 units) in the Chamba district of Himachal Pradesh in northern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

About the Corporate Guarantor Shri Bajrang Power & Ispat Limited

Shri Bajrang Power and Ispat Limited (SBPIL) is a part of the Raipur based Shri Bajrang group established by the Goel family. SBPIL, incorporated in 2002, is the flagship company of the group. The company primarily manufactures long mild steel products like TMT bars, hard bright wires, wire rods, sponge iron, pellets, billets, ferro alloys etc. Products of the company are sold under brand name of "Goel" and find use primarily in infrastructure and construction segments. At present, the company's products are primarily used domestically with minimal exports. The manufacturing facilities of SBPIL is strategically located in central India, near Raipur. The company has three manufacturing facilities at Borjhara, Gondwara and Tilda, all situated in proximity with each other. SBPIL has the leverage of selling its products across 5 different geographies with easy connectivity via road and rail, taking advantage of having its own state of the art railway sliding within the company's sprawling premises at Tilda unit. The manufacturing facilities of the company are ISO 9001:2015, ISO 14001:2004 and OHSAS 18001:2007 certified. Operations of the company are fully integrated. The company started iron ore mining in 2015 to meet its raw material requirement of iron ore. The company meets all of its power requirements from captive sources.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	181.08	147.17
EBITDA	45.47	69.17
PAT	4.04	32.92
Total Debt	362.18	349.55



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For the year ended* / As On	31-03-2022	31-03-2023
Tangible Net worth	186.45	221.91
EBITDA Margin (%)	25.11	47.00
PAT Margin (%)	2.10	20.74
Overall Gearing Ratio (x)	1.94	1.58

**Classification as per Infomerics' Standard*

Financials of the Corporate Guarantor Shri Bajrang Power and Ispat Limited

(Rs. Crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	4516.95	4496.75
EBITDA	1095.63	516.11
PAT	741.25	293.37
Total Debt	727.18	721.60
Adjusted Tangible Net worth	1486.15	1776.72
EBITDA Margin (%)	24.26	11.48
PAT Margin (%)	16.30	6.48
Overall Gearing Ratio (x)	0.49	0.41

**Classification as per Infomerics' Standard*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	198.00*	IVR A [CE]; Stable Outlook	IVR A- [CE]; Stable Outlook (May 25, 2022)	IVR BBB+ [CE]; Positive Outlook (April 26, 2021)	-

**Outstanding as on March 31, 2023*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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 or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the 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
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Term Loan	-	-	April 2040	198.00*	IVR A [CE]; Stable Outlook
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*Outstanding as on March 31, 2023

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/len-IA-Hydro-aug23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

List of covenants:

- Irrevocable and Unconditional Corporate Guarantee of Shri Bajrang Power & Ispat Limited and Shri Bajrang Energy Pvt Ltd
- The company shall open a Trust & Retention Account with scheduled Bank as per IREDA's format for depositing project revenues and execute a suitable Trust & Retention Account agreement to the satisfaction of IREDA
- Pledge of 51% of shares in the company
- Irrevocable and Unconditional Personal Guarantee of Mr. Suresh Goel, Mr. Narendra Goel, Mr. Rajendra Goel, Mr. Anand Goel, Mr. Bajrang Goel and Mr. Ashutosh Goel
- Debt equity ratio to be maintained within 3:1 during the tenure of IREDA loan
- Shri Bajrang Power & Ispat Limited, the promoter company, to ensure timely repayment of dues in the event of cash flow into the TRA is found insufficient to meet the debt service requirements in respect of the project debt

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.

Link to earlier press release [click here](#).