



Press Release

Revised Press Release

IA Hydro Energy Private Limited

May 25, 2022

Rating				
Instrument Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	209.08^ (reduced from Rs. 225.00 crore)	IVR A- [CE]; Stable (IVR Single A Minus [Credit Enhancement] with Stable Outlook) *	Revised	Complex
Total	209.08 (Two hundred nine crore and eight lakh)			

*CE rating based on irrevocable and unconditional corporate guarantee from its parent Shri Bajrang Power & Ispat Limited (SBPIL) rated at IVR A-/Stable/A2+

^Outstanding as on April 16, 2022

Unsupported Rating ¹	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
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Note: Unsupported rating does not factor in unconditional and irrevocable corporate guarantee from its parent Shri Bajrang Power & Ispat Limited.

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 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 Minus [Credit Enhancement] with Stable Outlook) reflects revision in the rating of the corporate guarantor, SBPIL ([vide PR dated January 28, 2022](#)) against the unsupported rating of **IVR BB+; Stable (IVR Double B plus with Stable Outlook)**. Further, the rating continues to derive strength from availability of long-term Power Purchase Agreement (PPA) with Haryana Power Purchase Centre (HPCC) and presence of DSRA. However, these rating strengths continue to remain constrained by IAHEPL's moderate

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



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financial risk profile, decline in revenues from its core operations in FY22 and its exposure to the risk of adverse variation in water availability which may impact the company's operating performance. The outlook of unsupported rating has been changed from positive to stable due to expected stable operating performance of the company in the near term.

Adequacy of credit enhancement structure

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by SBPIL in favour of lender who has extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facility. The corporate guarantee results in credit enhancement in the rating of the said facilities to IVR A- [CE]/Stable against the unsupported rating of IVR BB+/Stable. 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 A2+) 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.2976 crore in FY21 as compared to ~Rs.2594 crore in FY20.

Availability of long term PPA ensures revenue visibility

IAHEPL had initially entered into 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. The power is currently being sold at an interim tariff rate of Rs.3.99 per unit. 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.

Presence of DSRA



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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

Moderate financial risk profile

The financial risk profile of the company is moderate marked by its leveraged capital structure and moderate debt protection metrics. The overall gearing of the company stood at 2.20x as on March 31, 2021 as compared to 2.38x as on March 31, 2020. The debt protection is modest marked by interest coverage ratio of 1.50x in FY21.

Decline in revenues from its core operations in FY22

In FY22 (Provisional), the company's revenue from sale of electricity declined significantly to Rs. 49.60 crore from Rs. 66.32 crore in FY21 due to decrease in water flow which leads to lower PLF level. However, trading revenue stood high at Rs.131.48 crore. It has generated 157.3 MU in FY21 as compared to 168.04 MU in FY20 and has generated 144.56 MU during FY22. The average PLF is ~ 49 % during FY22 compared to ~53% in FY21.

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 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](#)



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

Liquidity – Adequate

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 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)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	77.90	181.08
EBITDA	55.42	44.81
PAT	9.33	4.09
Total Debt	397.21	362.65
Tangible Net worth	180.61	186.53
EBITDA Margin (%)	71.14	24.74
PAT Margin (%)	10.53	2.13
Overall Gearing Ratio (x)	2.20	1.94

**Classification as per Infomerics' Standard*



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Financials of the Corporate Guarantor Shri Bajrang Power and Ispat Limited

(Rs. Crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	2593.99	2975.56
EBITDA	340.37	564.02
PAT	148.52	302.56
Total Debt	814.60	844.47
Adjusted Tangible Net worth	722.38	1025.23
EBITDA Margin (%)	13.12	18.96
PAT Margin (%)	5.71	10.14
Overall Gearing Ratio (x)	1.13	0.82

*Classification as per Infomerics' Standard

Status of non-cooperation with previous CRA: Care Edge Ratings has maintained the rating of IA Hydro Energy Private Limited into the Issuer Non-Cooperating category as the entity did not cooperate in the rating procedure despite repeated follow ups as per the Press Release dated July 23, 2021.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	209.08*	IVR A-[CE]; Stable Outlook	IVR BBB+[CE]; Positive Outlook (April 26, 2021)	-	IVR BBB-/ Stable Outlook (February 6, 2020)

*Outstanding as on April 16, 2022

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About Infomerics:



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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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, suspend 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
Term Loan	-	-	April 2040	209.08*	IVR A- [CE]; Stable Outlook

*Outstanding as on April 16, 2022

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-May22.pdf>

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



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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](#).