



Press Release

IA Hydro Energy Private Limited (IAHEPL)

June 05, 2024

Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	193.04 (reduced from Rs.198.00 crore)	IVR A [CE]** / Stable (IVR A [Credit Enhancement] with Stable Outlook)	Reaffirmed	Simple
Total	193.04	(Rupees One Hundred Ninety Three crore and Four lakh only)		

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

Note: The term loans from IREDA (previous lender) was took over by State Bank of India as per sanction letter dated September 25, 2023. Currently, IAHEPL is availing above term loan from State Bank of India.

Unsupported Rating:	IVR BBB-/Stable # (IVR Triple B Minus with Stable Outlook)
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Unsupported rating does not factor in enforceable, irrevocable and unconditional corporate guarantee from its parent SBPIL.

Details of Facilities are in Annexure 1

Detailed Rationale:

Infomerics has reaffirmed the ratings based on the extended corporate guarantee, which is unconditional, irrevocable, and continuous provided by the parent SBPIL. The corporate guarantee also covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. This corporate guarantee results in an enhancement in the rating of the term loan to IVR A (CE) / Stable [IVR A (Credit Enhancement) with Stable Outlook] against the unsupported rating of IVR BBB-/ Stable (IVR Triple B with Stable Outlook). Additionally, the unsupported rating is assigned based on the financial and operational parameters of the IAHEPL in FY23 (P).

Further the ratings continue to derive strength from strong parentage and corporate guarantee from SBPIL, availability of long term PPA ensures revenue visibility and improvement in financial risk profile. The rating is however constrained by •exposed to risk of water availability.

Key Rating Sensitivities:



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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.

Adequacy of Credit Enhancement Structure:

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by IAHEPL in favor of lender (State Bank of India) who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The corporate guarantee results in an enhancement in the rating of the said facilities to IVR A (CE)/ Stable against the unsupported rating of IVR BBB-/Stable. The adequacy of credit enhancement has been tested after considering guaranteed debt by SBPIL. The adjusted capital structure and adjusted debt protection metrics of SBPIL remain comfortable.

Transaction Structure of the corporate guarantee:

The corporate guarantee shall be a continuing guarantee for the purpose of securing the whole of the amounts mentioned and the guarantor irrevocably and unconditionally guarantees as a primary obligor and not merely as surety.

In case of imminent shortfall in the funds of the Borrower during the validity period, the Guarantor shall bring in funds to make repayment/payment/discharge of any of the monies in respect of the Secured Obligations One (1) day prior to the respective due date of the loan amount. If on T day (T being the due date) payment is not received by the lender, the lender shall invoke the Guarantee on T+1 day by serving upon the guarantor a demand notice, immediately upon occurrence of any event of default in repayment of the loan amount by the borrower on its due date.

The guarantor upon receipt of the demand notice by the lender shall forthwith and in any case latest by T+2 days make the payment of the amounts due towards the borrower on the due date including any penal interest for delayed payment.



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Key Rating Drivers with detailed description

Key Rating Strengths:

Strong parentage and corporate guarantee from SBPIL

IAHEPL is owned and promoted by SBPIL (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. Further, SBPIL 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. 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.

Availability of long term PPA ensures revenue visibility

IAHEPL has signed 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

The total operating income has decreased by ~59% at Rs.59.95 crore in FY24 (P) against Rs. 147.16 crore in FY23, as the company closed trading activities and entirely focussed on hydro power operations and hence, from FY24, the company has achieved revenue only from hydro power segment. The company's total operating income has been erratic over last three fiscals till FY23 on account of volatile revenue from its trading activities and recognition of arrears sales revenue. 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. Further, IAHEPL has comfortable capital structure in FY24. Capital structure marked by overall gearing and TOL/TNW on Tangible Net Worth stood at comfortable level at 0.49x and 0.51x in FY24 (P.Y.: 0.54x and 0.58x). The interest coverage has deteriorated and still stands at moderate level at 2.37x in FY24 (P.Y.: 3.08x), due to decline in total operating income. Total



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debt/ NCA has marginally increased and stood at moderate level at 8.27x in FY24 (P.Y.: 3.98x), due to increase in borrowings and decrease in profits.

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: Standalone & credit enhancement

Supported: Credit enhancement is based on the unconditional and irrevocable proposed corporate guarantee provided by SBPIL to the bank facilities of IAHEPL.

Unsupported: Standalone

Applicable Criteria:

[Criteria of assigning rating outlook](#)

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Rating criteria for Structured Debt Transaction \(Non-Securitization Transaction\)](#)

[Policy on Default Recognition](#)

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



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Himachal Pradesh in northern region which is a clean and green renewable energy source.

About the Guarantor:

SBPIL is a part of the Raipur based Goel Group (Raipur) 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.

Financials (Standalone) - IAHEPL

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	199.55
Tangible Net-worth	186.45	371.91
Ratios		
EBITDA Margin (%)	25.11	47.00
PAT Margin (%)	2.10	20.74
Overall Gearing Ratio on Book TNW (x)	1.94	0.54

*Classification as per Infomerics standards

Financials of the Corporate Guarantor SBPIL

For the year ended/ As On	(Rs. crore)	
	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	4516.95	4496.75
EBITDA	1095.63	516.05
PAT	741.25	293.37
Total Debt	727.18	721.60
Tangible Net-worth	1926.21	2218.23
Ratios		
EBITDA Margin (%)	24.26	11.48
PAT Margin (%)	16.30	6.48
Overall Gearing Ratio on Book TNW (x)	0.38	0.33

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr · N o	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount	Rating	Date(s) & Rating(s) assigned in 2023-24 (August 16, 2023)	Date(s) & Rating(s) assigned in 2022-23 (May 25, 2022)	Date(s) & Rating(s) assigned in 2021-22 (April 26, 2021)
1.	Long Term Fund Based Bank Facilities – Term Loan	Long Term	193.04	IVR A [CE] / Stable	IVR A [CE] / Stable	IVR A- [CE] / Stable	IVR BBB+ [CE]/ Positive

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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.

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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 (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Term Loan	--	--	September 2038	193.04	IVR A [CE] / Stable

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-IAHydro-jun24.pdf>

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

List of Covenants:

- Corporate Guarantee of SBPIL and Shri Bajrang Energy Private Limited
- Personal Guarantee has been provided by Mr. Suresh Goel, Mr. Narendra Goel, Mr. Rajendra Goel, Mr. Anand Goel, Mr. Ashutosh Goel and Mr. Bajrang Goel.

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 <https://www.infomerics.com/>.