

Ajanta Energy Private Limited

February 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.18	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+ and moved to ISSUER NOT COOPERATING category and removed from Rating Watch with Negative Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Ajanta Energy Private Limited (AEPL) to monitor the rating(s) vide e-mail communications/letters dated September 06, 2023; October 06, 2023; October 19, 2023 and December 23, 2023 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on AEPL's bank facilities will now be denoted as **CARE BB-; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The revision in rating takes into account the disruption of operations of hydro power plant since September 2023 due to damage caused by floods in Mahi River along with non-availability of requisite information to conduct the rating review.

The rating continues remain constrained on account of heightened reputation risk post arrest of key promotor, Mr Jaysukh Bhalodia, in connection with collapse of a bridge in Morbi, Gujarat in October 2022. The ratings also factor AEPL's moderately leveraged capital structure, exposure to regulatory risk and susceptibility of its profitability to climatic conditions and interest rate fluctuations. The rating also factors implementation risk associated with the development of partially debt-funded hybrid solar & wind park in near to medium term and tariff rate revision risk due to ongoing dispute in court.

The rating, however, continues to derive strength from presence of a power purchase agreement (PPA) of 35 years with Gujarat Urja Vikas Nigam Limited (GUVNL; rated CARE AA; stable/ CARE A1+), presence of escrow mechanism and Debt Service Reserve Account (DSRA) in form of Fixed Deposits (FDs).

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

Disruption in operations due to flood:

As intimated by the management, the operations of hydropower plant is impacted due damage in turbine caused by floods in Mahi River and no power has been generated post September 2023. While AEPL has intimated the insurance company about the situation, the extent of damage to the power plant is yet to be assessed.

At the time of last rating on February 17, 2023; the following were the rating strengths and weaknesses (updated for the information available from audited financials of FY23 shared by the management of AEPL).

Key weaknesses

Arrest of the promoter of the company

In connection with the collapse of bridge in Morbi, Gujarat during October 2022, Mr Jaysukh Bhalodia, promoter of AEPL, has been arrested in January 2023. Mr. Jaysukh Bhalodia is Managing Director in Ajanta Manufacturing Private Limited, the group

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications. *Issuer did not cooperate; based on best available information.

company of AEPL (holding 28% shares in AEPL) which was awarded Operations and maintenance (O&M) of the Morbi bridge. The promotor is currently under judicial custody.

Mr. Jaysukhbhai Bhalodia and his son Mr. Chintan Jaysukhbhai Bhalodia, promoters of AEPL, have more than three decades of experience in manufacturing of clock, electrical Items & home appliances, and more than a decade of experience in operations of hydro power project through another group entity.

Moderate leverage and debt coverage indicators:

AEPL's capital structure remains moderately leveraged marked by overall gearing of 1.07x as on FY23 end (PY: 1.12x). Debt profile of AEPL includes unsecured loans and security deposits of Rs.49.40 crore from group company i.e. AMPL for funding the land acquisition for its upcoming solar & wind hybrid power park. The debt coverage indicators, albeit improved, continued to remain moderate marked by total debt/PBILDT of 9.28x (12.70x) respectively as on FY23 end. AEPL has interest coverage ratio of 3.57x as on FY23 end (PY:1.94x).

Implementation risk associated with development of solar power plant:

AEPL is developing a solar power park of 200 MW at Surendranagar, Gujarat. The project will be implemented in four phases with each phase consisting of 50 MW projects. As on January 30, 2023, the company has incurred the cost of ~Rs.75 crore towards the acquisition of land which is majorly funded by the unsecured loans from the promoter & group company. While the project is at a nascent stage, it is expected to elevate debt levels of AEPL in medium term with AEPL as the project developer. Hence, execution timelines and funding pattern of the same shall remain crucial from credit perspective.

Exposure to regulatory risks and climatic conditions

Despite a long-term PPA for sale of power, AEPL remains exposed to regulatory risks. As per the agreement, power will be sold to GUVNL at a fixed rate of Rs. 3.29 per unit which has been revised to Rs.4.70 from December 2020 onwards, as per Gujarat Electricity Regulatory Commission (GERC) order owing to increase in cost of generation. Consequent to the order of revised tariff by GERC, GUVNL has challenged this tariff in higher jurisdiction and the matter is sub judice. Thus, outcome of the same and its impact on the credit risk profile of AEPL shall remain a key rating monitorable. Further, AEPL operates a run-of-the-river hydro power project with a moderate operational efficiency. AEPL's Power generation will continue to depend on availability of adequate water flow which ultimately depends on the climatic conditions and annual yield of rainfall.

Interest rate risk

The rate of interest on term loan is reset every year and the power tariff with GUVNL remains fixed. Hence, AEPL's profitability remains exposed to any upward revision in interest rates.

Key Strengths

Stable cashflows backed by long term PPA agreement with GUVNL providing revenue visibility and timely receipt of payment from off taker:

AEPL has entered into a 35-year long term Power Purchase agreement (PPA) with GUVNL for supply of 12MW of power from March 2018. Power is sold to GUVNL at a rate of Rs.4.70 per unit as per GERC order. The long-term agreement provides revenue stability which to the entity and supports debt servicing obligations. While as per the terms of agreement, GUVNL is required to make the payment withing 30 days of raising invoice. However, the payment is usually received in around 7 days.

Stable scale of operations and healthy operating profitability

During FY23 (refers to the period April 01 to March 31), AEPL's income from hydro power generation reported growth of ~20% to Rs. 12.70 crore (reported at the rate of Rs.3.29/unit and balance of Rs.5.62 crore was reported as liabilities due pending rate revision matter with higher authority (TOI of Rs.10.81 crore in FY22)). AEPL's operating profit marked by PBILDT margin remained in range of 50%-60% in last three years ended FY23. During FY23, it improved by 446 bps to 59.15% (PY:54.70%) on account of better absorption of fixed overheads.

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

Incorporated in 2003, Ajanta Energy Private Limited (AEPL) is part of Ajanta – Oreva Group of companies of Morbi, Gujarat. AEPL is operating a run-of-the-river hydro power project plant of 12 MW (3 turbine of 4 MW each) situated on the Dolatpura weir, Kadana dam, Mahisagar in Gujarat. Company has 35-year Power Purchase Agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL) to sell the generated power at a fixed rate. The project started its commercial operation from March 2018 and has an operational track record of more than five years.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	10.51	12.70
PBILDT	5.75	7.51
PAT	-1.86	0.11
Overall gearing (times)	1.12	1.07
Interest coverage (times)	1.94	3.57

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	20.18	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based-Long Term	LT	20.18	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+ (RWN) (17-Feb-23)	1)CARE BBB-; Stable (15-Mar-22)	-

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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