

Alaknanda Hydro Power Company Limited

April 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2,995.85 (Reduced from 3,520.07)	CARE C; Stable	Reaffirmed
Long-term bank facilities	255.00	CARE D	Reaffirmed
Non-convertible debentures	139.00	CARE D	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings of Alaknanda Hydro Power Company Limited (AHPCL) continues to factor in pending settlement of dues to the Edelweiss group of lenders ('the lender group'). Ratings also take note of the invocation of pledge of 40% shares of AHPCL by the lender group whose value, as estimated by the management, is more than the outstanding debt. Ratings also factor in the management citation that the entire liabilities towards this lender group have been assumed by the parent entity, GVK Energy Limited (GVKEL).

Ratings continue to be constrained by weak credit profile of the off-taker and hydrological risks associated with run-of-the-river power generation and the absence of AHPCL's fund-based working capital limit to manage any cash flow mismatch.

However, ratings favourably factor in the ongoing settlement process between AHPCL, its promoter group and their lender, presence and adherence of waterfall mechanism by the project lenders, sustained healthy operational performance in FY23 (refers to period April 01 to March 31) and 9MFY24 (refers to period April 01 to December 30), and improved debt coverage indicators. CARE Ratings Limited (CARE Ratings) notes that the promoter group has considerable experience in infrastructure space apart from which there is revenue visibility provided by AHPCL's long-term power purchase agreement (PPA) backed by a cost-plus tariff structure, thereby ensuring recovery of return on equity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Amicable resolution of the dues with Edelweiss group of lenders.
- Material improvement in Uttar Pradesh Power Corporation Ltd's (UPPCL's) credit profile and substantial reduction in outstanding receivables.
- Significant reduction in borrowing cost, leading to material improvement in debt coverage metrics.

Negative factors

- Not applicable

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects the company's ability to sustain satisfactory generation levels and maintain a comfortable collection period in the medium term.

Detailed description of the key rating drivers:

Key weaknesses

Settlement of the dues with the lender group is pending

AHPCL had availed non-convertible debenture (NCD) and term loan from the Edelweiss group of lenders which had repayment due on March 31, 2022. Upon the delay in repayment, the lender group had invoked the pledge of 40% share of AHPCL and corporate guarantee given jointly by GVKEL and GVK Power & Infrastructure Ltd (GVKPIL). The management has cited that the market value of these shares stood higher than the outstanding debt. The management, based on a legal opinion, has claimed to transfer all the liabilities towards this lender group to GVKEL.

As confirmed by the lender group, sell-off of the 40% stake to liquidate the outstanding dues is pending. AHPCL has also disputed the outstanding amount and claims the process to be in contravention of the settlement agreement. The matter is sub judice with the Delhi High Court.

Hydrological risks associated with run-of-the-river power generation

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Run-of-the-river power is considered an unstable source of power, as a run-of-the-river project has little or no capacity for water storage and therefore is dependent on river water flow for power generation. It thus generates more power during times when seasonal river flows are high and less during lean period. However, AHPCL has demonstrated healthy operational performance since the commissioning of the project in June 2015.

Key strengths

Settlement agreement with Edelweiss group of lenders

A settlement agreement was reached between AHPCL, GVKEL, and GVKPIL, and their lenders on October 09, 2023. It required payment of settlement amount. The full amount, along with interest, was due by November 30, 2023. The group has paid 10% of the settlement, with the balance to be paid according to the agreement's terms. Sanction from lead lender out of the surplus fund lying in the TRA towards Edelweiss settlement has been obtained. The company is following-up with other lenders, and still has time for completion of this transaction.

Revenue visibility backed by a long-term PPA with UPPCL

AHPCL has entered long-term PPA with UPPCL for sale of 88% of the power generated and to provide the balance 12% of power generated as free energy to Uttarakhand. The initial term of PPA is 30 years extendable by another 20 years on mutually agreeable terms and conditions between AHPCL and UPPCL. The tariff is a two-part pass-through structure comprising capacity charge and primary and secondary energy charge.

Sustained healthy operating performance of the power plant in FY23 and 9MFY24

AHPCL's operational performance continued to remain healthy in FY23 with plant load factor (PLF) of 52.20% against 49.10% reported for FY22. This had led to booking of incentive income. In 9MFY24, the company generated total energy of 1,184 MUs and exported free energy of 142 MUs to GoUK. The net PLF for the period stood at 54.91%.

Leveraged capital structure and moderate debt coverage indicators

Overall gearing improved to 2.75x as on March 31, 2023 (PY: 7.11x). Moreover, interest cover has been marginal over the years due to higher average cost of borrowing. It improved in FY23 and stood at 2.31x in FY23 due to improved profitability.

Presence of waterfall mechanism for project loan

According to the trust and retention agreement (TRA), there is a waterfall mechanism to be adhered for permitting withdrawal from the TRA account maintained by the company. All the project cash flows and receivables are ring fenced for the project lenders. Per the management, the project lenders continue to have exclusive charge on the project cash flows thus establishing their seniority.

Experienced promoter in infrastructure space

AHPCL belongs to the Hyderabad-based GVK group which has presence in various segments of infrastructure space, viz., power, roads, airports, etc.

Liquidity: Adequate

AHPCL collected sizable arrear income in Q2FY24. Thus, the projected gross cash accrual for FY24 against the debt repayment stands comfortable. The company has maintained debt service reserve account (DSRA) of ₹290.57 crore. Apart from a bank balance of ₹2.20 crore, the company is also maintaining liquid investments equivalent to ₹603 crore as on February 16, 2024. Moreover, the company does not have any sanctioned working capital limit.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power generation

AHPCL is a special purpose vehicle (SPV) promoted by the GVK group. The company has set up a 330 MW (4 × 82.5) run-of-the-river hydroelectric power project on Alaknanda River at Shrinagar, Uttarakhand. The company commenced commercial operations from June 21, 2015 (as against original scheduled commercial operations date [COD] of the project of July 31, 2011). AHPCL has signed PPA with UPPCL for selling 88% of the power generated and the balance is provided as free energy to State of Uttarakhand.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	Q1FY24 (UA)
Total operating income	849	1,115	496
PBILDT	752	1,011	472
PAT	23	382	317
Overall gearing (times)	7.11	2.75	NA
Interest coverage (times)	1.46	2.31	NA

A: Audited; UA: Unaudited; NA: Not available; 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
Debentures-Non-convertible debentures	INE990I07048	March 2018	12.50%	March 2022	139.00	CARE D
Fund-based - LT-Term loan		-	-	March 2022	255.00	CARE D
Fund-based - LT-Term loan		-	-	September 2040	2995.85	CARE C; Stable

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 - LT-Term loan	LT	2995.85	CARE C; Stable	-	1)CARE C; Stable (28-Mar-23) 2)CARE C (31-Oct-22)	1)CARE BB+ (CW with Negative Implications) (17-Mar-22) 2)CARE BBB-; Stable (26-May-21)	1)CARE BB+; Stable (18-Dec-20) 2)CARE D (29-Oct-20) 3)CARE BBB- (CW with Negative Implications)

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
							3)CARE BBB-; Stable (18-May-21)	(16-Jul-20)
2	Fund-based - LT-Cash credit	LT	-	-	-	-	1)Withdrawn (17-Mar-22) 2)CARE BBB-; Stable (26-May-21) 3)CARE BBB-; Stable (18-May-21)	1)CARE BB+; Stable (18-Dec-20) 2)CARE D (29-Oct-20) 3)CARE BBB-(CW with Negative Implications) (16-Jul-20)
3	Debentures-Non-convertible debentures	LT	139.00	CARE D	-	1)CARE D (28-Mar-23) 2)CARE D (31-Oct-22)	1)CARE BB+ (CW with Negative Implications) (17-Mar-22) 2)CARE BBB-; Stable (26-May-21)	-
4	Fund-based - LT-Term loan	LT	255.00	CARE D	-	1)CARE D (28-Mar-23) 2)CARE D (31-Oct-22)	-	-

LT: Long term; ST: 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	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Term loan	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.

Contact us

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About us:

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