Resonia Limited

February 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	2,000.00	CARE A+; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) understands that Resonia Limited (RL; formerly known as Sterlite Grid 32 Limited) was incorporated in March 2024 as a platform to develop and own Indian transmission assets, with Sterlite Grid 5 Limited (SGL 5), holding a 51% stake, while the remaining stake is held by Singapore based sovereign wealth fund, GIC through its affiliate, Stredfort End Investment Pte Ltd.

Ratings assigned to bank facilities of RL reflect the Sterlite Group's established track record in the power transmission business, financial flexibility derived from GIC and favourable outlook for the power transmission sector. GIC has committed equity of USD 500 million (₹4,200 crore) to RL, of which ~₹1,500 crore has been infused in RL as of December 2024.

Ratings note the demerger of the infrastructure business (including engineering, procurement, and construction [EPC] contracts for own transmission business) from Sterlite Power Transmission Limited (SPTL) into SGL 5 following the National Company Law Tribunal (NCLT) order dated September 5, 2024. The demerger was done to unlock the potential of the infrastructure business and to enhance financial flexibility in accessing growth capital.

RL had a healthy outstanding order book position of ₹16,000 crore as of October 2024 consisting of EPC contracts of its own special purpose vehicles (SPVs). As on December 31, 2024, RL had a portfolio of 10 power transmission assets of which three are operational, six are under construction, and one being recently awarded. Per management's articulation, debt has been tied-up in all operational and under-construction projects (including the recently awarded large project) and RL's support in all the projects is restricted to equity commitments and cost overrun, if any in the construction phase, and once the project is operational, the debt of the project special purpose vehicles (SPVs) have no recourse on RL. The company has total equity commitments of ₹6,132 crore for these 10 projects, with ₹4,263 crore infused as of December 2024. CARE Ratings has relied on management's articulation that equity commitment shall be funded via internal accruals, expected top-up loan in operational assets and equity funding from the sponsors. No external debt shall be availed to fund equity commitments. CARE Ratings expects capital structure to remain healthy in near-to-medium term, as no external debt is envisaged apart from mobilisation advances from on-going projects and letter of credit (LC) -backed creditors, which is expected to fund RL's working capital requirements. Any change in stance towards external debt shall be key rating sensitivity. Timely commissioning of the projects within cost parameters generation of envisaged profitability going forward shall remain rating monitorable.

These strengths are partially offset by RL's exposure to project execution risk, and volatile operating profitability.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations of above ₹3,000 crore with achieving estimated profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins while maintaining total outside liabilities to tangible net worth (TOL/TNW) of less than 1.50x on a sustained basis.
- Freeing up of invested capital via monetisation of operational SPVs.

Negative factors

- Lower-than-envisaged total operating income (TOI) and PBILDT margins.
- Availing of fund-based debt (excluding LC backed acceptances) exceeding ₹150 crore.
- Change in stance of GIC to infuse committed funds in timely manner.
- Extension of corporate guarantees or more-than-expected investment in under-construction (UC) SPVs.
- Any exposure to Sterlite group excluding RL's (SPVs) either in form equity/loans and advances.

Analytical approach:

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

CARE Ratings has considered standalone financials of RL, while factoring equity commitments and support requirements towards its UC projects. RL has the financial flexibility to upstream top up debt availed in its underlying operational SPVs and financial flexibility from committed lines from the GIC which has also been suitably factored in while arriving at ratings.

Outlook: Stable
The outlook is expected to remain stable supported by the healthy capital structure and established project execution capabilities.

Detailed description of key rating drivers:

Key strengths

Established track record of project execution of Sterlite power group in power transmission business
The Sterlite power group through SPTL had successfully commissioned 14 transmission assets in India under the BOOT model, of which 11 were later sold to IndiGrid Infrastructure Trust (IndiGrid). SPTL is one of the largest private players in the domestic transmission sector, particularly in projects awarded through tariff-based competitive bidding (TBCB). It has over two decades of track record in power transmission sector. SPTL was a co-sponsor of IndiGrid. In September 2020, Kohlberg Kravis Roberts (KKR) was inducted as a co-sponsor of the trust, after which SPTL fully exited its stake in the InvIT.

Healthy outstanding order book position providing near term revenue visibility
As on October 14, 2024, RL has an healthy outstanding captive order book position of ~ ₹16,000 crore to be executed till FY27, thus providing healthy revenue visibility over medium term. Order book is concentrated with single large order contributing over 70% of the order book. RL is the captive EPC arm for the transmission projects awarded to the group in India. Financial closure is achieved for all the UC SPVs. All the under construction SPVs are under Point of Connection (PoC) mechanism for Inter-State Transmission System (ISTS) projects.

Financial flexibility from committed investment of GIC
GIC has made a fund commitment of USD 500 million (₹4,200 crore) towards RL. Per management articulation, ~₹1,500 crore has been infused till December 2024. The balance amount shall be infused basis the funds requirement at RL. RL has an operational portfolio of three projects, which are available for monetisation.

Healthy capital structure marked by absence of long-term external debt
As at year ended March 2024, RL did not have any external debt. As on March 31, 2024, RL's debt consisted of interest free mobilisation advances received from its own SPVs. RL had extended corporate guarantee of ₹400 crore for debt availed by one of its SPV's, which shall be released upon commencement of the project.

As on December 31, 2024, RL had a portfolio of 10 power transmission assets of which three are operational, six are UC, and one being recently awarded. Per management's articulation, debt has been tied-up in all operational and UC projects (including the recently awarded large project) and RL's support in all the projects is restricted to equity commitments in the UC phase. Once the project is operational, the debt of the project SPVs have no recourse on RL. The company has total equity commitments of ₹6,132 crore for these 10 projects, with ₹4,263 crore infused as of December 2024. CARE Ratings has relied on management's articulation that equity commitment shall be funded via internal accruals, expected top-up loan in operational assets and equity infusion from sponsors. No external debt shall be availed to fund equity commitments. CARE Ratings expects capital structure to remain healthy in near-to-medium term, as no external debt is envisaged apart from mobilisation advances from on-going projects and LC-backed creditors which is expected to fund RL's working capital requirements. Any change in stance towards external debt shall be key rating sensitivity. Over medium term, capital structure marked by total outside liabilities to tangible net worth (TOL/TNW) is expected to remain below 2x owing to steady accretion of reserve to its net worth base.

Key weaknesses

Exposure to project execution risk
RL is exposed to inherent project execution risk including delays in obtaining necessary approvals for ongoing projects. As both the developer and EPC contractor, RL assumes full implementation risk and is responsible for covering any cost overruns. RL relies on reputed subcontractors for project execution which leads to relatively asset light model. Past delays in securing Right of Way (RoW) approvals and forest clearances have led to cost overruns. These additional costs have been claimed as extra tariffs under the Change in Law clause, which are recovered over 35 years. However, the need for upfront funding of cost overruns or change in law by the sponsor can result in higher outstanding debtors related to these changes, potentially increasing working capital intensity. The company must secure relevant clearances for land, right-of-way, and no-objection certificates from government authorities, coordinate with various stakeholders, and address on-ground challenges to ensure timely project completion. The timely execution of the outstanding order book will be a key rating factor.

Volatile operating profitability

The operating profitability of SPTL's transmission EPC business have remained volatile in the past based on execution of project and complexities. RL's profitability remained subdued in H1FY25 owing to nascent stage of execution of most of its orderbook. With pick up in execution, especially in one large project operating margins are expected to improve over FY26-FY27. Improvement in margins as envisaged shall remain key rating monitorable.

Liquidity: Adequate

The liquidity of the company is expected to remain strong given no major funding requirement for fund based working capital borrowing and absence of term loan. The equity commitments going forward are expected to be met through internal accruals, upstreaming of top-up debt from operational SPVs and equity infusion from sponsors. Three operational assets provide aided cushion in form of asset monetisation.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Infrastructure Sector Ratings
Short Term Instruments
Power- Transmission

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

RL is a platform created by Sterlite group (51% holding) and GIC (49% holding) to develop and operate transmission assets in India. RL currently has investments in 10 transmission SPVs (9 of which have been transferred from SPTL to RL). RL is also EPC arm of the Sterlite group for transmission businesses in India.

Brief Financials (₹ crore)	March 31, 2023 (A)*	March 31, 2024 (A)*	H1FY25 (UA)*
Total operating income	0.00	292	117
PBILDT	-0.12	-63	-106
PAT	-0.12	-45	-174
Overall gearing (times)	0.00	0.77	NA
Interest coverage (times)	0.00	-125.08	-1.40

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results; *Above financials are not meaningful as EPC businesses were transferred in phases from SPTL and transfer was completed in November 2024

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	-	2000.00	CARE A+; Stable / CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST	2000.00	CARE A+; Stable / CARE A1+	-	-	-	-

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Rajashree Murkute Senior Director **CARE Ratings Limited** Phone: 022-68374474 E-mail: Rajashree.murkute@careedge.in Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-4026 5605 E-mail: maulesh.desai@careedge.in Palak Sahil Vyas Associate Director **CARE Ratings Limited** Phone: +91-79-4026 5620 E-mail: palak.gandhi@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**