Alaknanda Hydro Power Company Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2,527.07 (Reduced from 2,995.85)	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 Phoenix ARC Private Limited (Phoenix ARC), to which the debt was assigned from the Edelweiss group of lenders ('the lender group') in October 2024. 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 Phoenix ARC, presence and adherence of waterfall mechanism by the project lenders, sustained healthy operational performance in FY24 and 9MFY25, 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 Phoenix ARC
- Material improvement in the credit profile of UPPCL 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

Pending dues transferred to Phoenix ARC remain unresolved

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. Furthermore, the said exposure has been transferred to Phoenix ARC due to ongoing resolution delays.

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

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

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

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 with generation remaining above design energy levels on a sustained basis.

Key strengths

Settlement agreement with Edelweiss group of lenders

In October 2023, the company entered into a one-time settlement agreement with Edelweiss Asset Reconstruction Company Limited (Edelweiss ARC) and Asset Reconstruction Company (India) Limited (ARCIL), which was ratified by the lead bank. The agreement involved a contribution from the promoter and a portion to be paid through the TRA account, subject to approval from all lenders. While the promoter contribution had been paid out by June 2024, approvals had been obtained from the majority of lenders, but a few were still pending. Due to the delay in receiving full lender consent, the company was unable to access funds from the TRA account, despite having sufficient balance for the settlement. As a result, in October 2024, Edelweiss ARC and ARCIL transferred the loan to Phoenix ARC, with an interest component accruing since the original settlement date.

The company has since secured an extension from Phoenix ARC until February 28, 2025, for settling the dues. Additionally, the management is in active discussions with a new lender to refinance the entire existing project debt currently under consortium. A further extension has been requested from Phoenix ARC until April 30, 2025, to align with the expected refinancing timeline. The company plans to repay its outstanding obligations to Phoenix ARC using internal funds, once refinancing is completed and access to its TRA and free cash balances is restored. These discussions are being led by the parent company, GVKEL.

Revenue visibility backed by a long-term PPA with UPPCL

AHCPL 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 AHCPL 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 FY24 and 9MFY25

AHPCL's generation performance remained above design energy levels in FY24 with plant load factor (PLF) of ~45%, although lower than ~53% reported for FY23. This has led to booking of incentive income. In 9MFY25, the company generated total energy of 1,324 MUs and exported free energy of 157 MUs to GoUK, with the PLF improving to 61%.

Leveraged capital structure and moderate debt coverage indicators

Overall gearing improved to 1.96x as on March 31, 2024 (PY: 2.75x). Moreover, interest coverage has been marginal over the years due to higher average cost of borrowing. Interest coverage improved marginally in FY24 and stood at 2.38x 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

As of March 25, 2025, the company maintains a free cash balance of approximately Rs. 673 crores, following a recent premature repayment of Rs. ~200 crores in March 2025 (aggregating to Rs. ~335 crore during FY25). During the current financial year, the company has generated operational cash flows of around Rs. 325 crores, reinforcing its strong cash-generating capability.

The DSRA currently holds Rs. 295 crores, exceeding the actual requirement as per the financing documents i.e., two-quarter DSRA requirement of Rs. 235 crores. However, despite maintaining sufficient fixed deposits, lender-imposed restrictions on TRA access and freely held FDs have constrained fund utilization, thus limiting financial flexibility and delaying additional prepayments. 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)	FY23 (A)	FY24 (A)
Total operating income	1,115	1,068
PBILDT	1,011	957
PAT	382	354
Overall gearing (times)	2.75	1.96
Interest coverage (times)	2.31	2.38

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		27-03-2018 00:00:00	12.50%	31-03-2022	139.00	CARE D
Fund-based - LT-Term Loan		-	-	March 2022	255.00	CARE D
Fund-based - LT-Term Loan		-	-	September 2040	2527.07	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 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 - LT-Term Loan	LT	2527.07	CARE C; Stable	1)CARE C; Stable (05-Apr-24)	-	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) 3)CARE BBB-; Stable (18-May-21)
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)
3	Debentures-Non Convertible Debentures	LT	139.00	CARE D	1)CARE D (05-Apr-24)	-	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 (05-Apr-24)	-	1)CARE D (28-Mar-23) 2)CARE D (31-Oct-22)	-

LT: Long term; ST: Short term; LT/ST: 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	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.

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About us:

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