

Atria Brindavan Power Private Limited

April 3, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	59.67	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total	59.67 (Rs. Fifty-Nine Crore and Sixty- Seven Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating of bank facilities of Atria Brindavan Power Private Limited (ABPPL) continues to derive strength from stable generation of 16MW hydro asset of the company for servicing the rated bank facility and maintenance of DSRA. On a consolidated basis, the rating positively factors in the improved generation aided by capacity addition (490 MW as on Dec'19 as against 430 MW as on Jan'19) and higher number of projects attaining stability. The rating also factors in satisfactory performance of various SPVs over the years, improved receivables realization across various projects translating to comfortable liquidity position, maintenance of requisite DSRA across most of the projects, and upstreaming of surplus cash available in certain SPVs to the holding company, promoter's experience in running successful businesses including renewable power with successful project implementation track record, revenue visibility from long term PPAs with diversified off-takers and diversified portfolio. However, the rating is constrained by significantly debt funded capex program leading to high leverage, re-financing risk associated with non-convertible debentures raised by ABPPL, risks associated with upcoming projects being planned by the company, stabilization and other project specific issues with some of the SPVs, and susceptibility of generation to climatic conditions.

Rating Sensitivities

Positive factors

- Ability of the group to upstream cashflows from the SPVs/ raise equity which provides visibility to refinance the NCDs

Negative Factors

- Delay in refinancing plans of NCDs
- Decline in generation of underlying hydel asset
- Deterioration in liquidity profile by way of predominantly debt funded capex or support extended to weaker SPVs.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with successful project implementation track record and large operational renewable assets

Atria group was started by Mr. Chinnaswamy S Raju more than five decades ago and is into various industries like Hospitality, Real Estate, Education and Power. Atria group derives strength from its experienced promoters and management team. The present directors - Mr. Sunder Raju and K Nagaraju, have more than 30 years of experience each in Power sector. ABPPL is the flagship company of the Atria group and holds the group's renewable assets through various SPVs. ABPPL has continuously expanded capacity over the year with significant amount of projects becoming operational from FY17 onwards.

Improved performance of hydro assets of ABPPL and satisfactory generation on a consolidated level

Performance of hydel assets directly operated under the holding company showed improvement from FY19 onwards backed by good rainfall after subdued generation for several years. Generation of hydel assets improved to 59.4 MU in FY19 against 22 MU in FY18. During 11MFY20, the generation level was relatively low at 40 MU due to damage to gear works of the machines during floods in rainy season. However, company has applied with insurance company for reimbursement for lost generation. On consolidated level, the operating income grew by 45% to Rs.490.6 Cr in FY19 from Rs.338.5 Cr in FY18 supported by ongoing capacity addition year on year and higher number of projects achieving stability, aiding company in achieving higher generation. The group has 490 MW of operational capacity as of December 2019 as against aggregate capacity of 430 MW as of January 2019. Aggregate generation in FY19 improved to 956 MUs from 645 MUs in FY18 and has further improved to 1001 MUs in 11MFY20.

Long-term revenue visibility with the long-term PPAs for operational capacity and diversified project portfolio

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

On standalone basis, ABPPL has PPA with Chamundeshwari Electricity Supply Corporation Limited (CESCOM). On consolidated level, as on Dec 2019, ABPPL has operational projects having aggregate capacity of 490.4 MW. Operational capacity of the various SPVs is tied up under long term PPAs ranging between 10-25 years, at attractive tariffs, which provides long-term revenue visibility. The company has sourced WTGs/Solar panels from various reputed vendors. A significant portion of power is sold to state distribution utilities like Gujarat Urja Vikas Nigam Ltd (GUVNL), Tamil Nadu Generation & Distribution Corporation (TANGEDCO), M.P. Power Management Company Limited (MPPMCL), Bangalore Electricity Supply Company Limited (BESCOM), Chamundeshwari Electricity Supply Corporation Limited (CESCOM) etc, and therefore the SPVs are vulnerable to the credit risk associated with exposure to state distribution utilities. However, the company has been diversifying the off take risk by diversification in terms of DISCOM level, and also by tying up with corporates (under third party/group captive model). As on December 2019, 45% of total capacity is tied up with third parties or is under group captive model and a significant portion of the third party and group captive off-takers are reputed companies having a satisfactory credit profile.

Key Rating Weaknesses

Leveraged capital structure

On standalone level, ABPPL's overall gearing deteriorated to 1.98x as on Mar'19 against 1.79x as on Mar'18 due to decline in networth on account of high provision for interest charged on NCD. However, Total debt/PBDIT improved to 8.68x as on Mar'19 from 9.56x as on Mar'18 with part of term loan repayment during FY19.

On Consolidated level, the capital structure of ABPPL continues to remain leveraged due to rise in the term debt availed by various SPV's for the new projects, infusion of funds in the form of Non-convertible debentures, and working capital limits availed by the SPV's while continuing PAT level losses have eroded company's networth. ABPPL had outstanding debt of Rs.2646 Cr on a consolidated basis as of March 2019 (including NCDs and capital creditors). Overall gearing deteriorated to 39.28x as on Mar'19 from 9.27x as on Mar'18 on account of deterioration of net worth due to continuing losses. The gearing on a consolidated basis is expected to deteriorate further with funding in new projects. However, TDGCA and Total Debt/PBDIT has witnessed improvement.

Refinancing risk associated with the NCD

The funds raised via NCD are reinvested as equity in various SPVs. The Non-convertible debentures shall be redeemed partly in the 6th year of investment (in FY23) and remaining at the end of 7th year of investment (in FY24) exposing it to refinancing/repayment risk.

Stabilization risk pertaining to recently completed projects and implementation & funding risks associated with projects under implementation

Stabilization risk persists with 39.6 MW wind project implemented by ABPPL as half of its capacity commenced operations in April'19 & balance in Sept 2020. Also, company is planning to implement a solar rooftop projects in FY21 & FY22 under Atria Rooftop LLP apart from solar power project in Uttar Pradesh.

Going forward, the company's future expansion plans may result in additional requirement of funds, for which the company would be dependent upon raising funds from private equity investors and capital market/IPO, besides debt. Although the execution risks in renewable energy projects are not high due to relatively lesser execution complexities and short execution cycle, the company remains exposed to project risks such as delays in land acquisition, timely signing of PPA, financial closure and clearances and stabilization of the project assets.

Exposure to climatic conditions and technological risks

The wind projects are exposed to inherent risk of weather fluctuations leading to variations in the wind patterns which affect the PLF. The wind farms enjoy higher PLF during the months of May to August (high wind season) while the period from September to November (low wind season) witness low PLFs. Wind projects are subject to loss in PLF owing to several meteorological phenomenon collectively called wind shear. Magnitude of loss due to wind shear depends on site surrounding ground cover, trees, topographic features such as hills and valleys. The PLF for the wind power generators are inherently low and may fluctuate depending upon the climate conditions. The power generation level of a solar power plant primarily depends upon factors like solar radiation levels, temperature and climatic conditions, losses in PV systems and transmissions efficiency of the design parameters of the plant and inverters installed, module aging and degradation etc. While losses in PV systems, design parameters, inverter efficiency and module degradation depend on the overall manufacturing pattern and technical soundness of the modules, solar irradiance levels and overall climatic conditions are beyond human control and thus have the potential to adversely affect the operational efficiency of a solar power plant.

Liquidity: Adequate

ABPPL's on consolidated level has adequate liquidity in the form of free cash balance of Rs.199.3 crore across various SPVs as on December 31, 2019 in addition to DSRA balance of Rs.119.3 crore. Also, SPVs enjoy satisfactory receivables period (ranging from 30 days – 90 days) except collections from TANGEDCO and settlement delays associated with APTRANSCO imparting healthy liquidity and regular cash inflows. Further with stabilisation of projects and satisfactory generation and gradual improvement in credit profile of its various SPVs, company has plans to refinance such projects under co-obligor structure enabling it to raise additional debt which would be available for up-streaming to holding company. In Feb 2020, the group had refinanced three operational projects which provided top up funding of Rs. 50 crore. This along with internal cash accruals of these projects were up streamed into ABPPL and the same is expected to be reinvested as equity in future projects.

Analytical approach: Standalone along with assessment of company's investments in various renewable projects including evaluation of cash flow available from these SPVs (mentioned in Annexure 4) for upstreaming and support required in other cases.

Applicable Criteria

[CARE's methodology for Infrastructure sector ratings](#)

[CARE's methodology for private power producers](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Financial ratios – Non-financial sector](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Consolidation & Factoring Linkages in Ratings](#)

About the Company

Atria Brindavan Power Pvt Ltd (incorporated in December, 2000) is the ultimate holding company for the power assets of Atria Group. Founded by Mr. Chinnaswamy S Raju and Mr. K Nagaraju in 2000, ABPPL, besides holding assets in SPVs, directly holds two hydel projects (12 MW hydro based on the Vishweswaraiyah canal and 4 MW based on the Cauvery river discharges). On a consolidated level, ABPPL has operational portfolio of 490.4 MW consisting of hydel (16MW), wind (374.4 MW) and solar (100 MW) at present.

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

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	368.38	322.18
PBILDT	57.77	63.21
PAT	-35.64	-30.63
Overall gearing (times)	1.79	1.98
Interest coverage (times)	0.69	0.73

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	Sept 2027	59.67	CARE BBB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (08-Nov-16)

2.	Fund-based - LT-Term Loan	LT	59.67	CARE BBB; Stable	1)CARE BBB (SO); Stable (04-Apr-19)	-	1)CARE BBB-(SO); Stable (14-Nov-17) 2)CARE BB+(SO); Stable (28-Apr-17)	-
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Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument – Term Loan	Detailed explanation
A. Financial covenants	DSRA equivalent to 2 Quarters interest and principal debt service obligations to be maintained.
B. Non financial covenants	Unsecured loan brought in relation to 16MW Hydro project to be subordinated to Bank's loan and not to be withdrawn during currency of Bank's loan.

Annexure-4: List of Subsidiaries and shareholding as on March 31, 2019

- WPA Clean Energy Private Limited (94.97%)
- Blyth Wind Park Pvt Ltd (69.99%)
- Kukru wind Power Pvt Ltd (50.01%)
- Betul Wind Farms Pvt Ltd (50.01%)
- Atria Solar Pvt Ltd (100%)
- Atria solar Power (Ballari) Pvt Ltd (100%)
- Atria Solar Power (Kadapa) Pvt Ltd (100%)
- Atria Solar Power (Chapiri) Pvt Ltd (100%)
- Atria Solar Power (Ananthpur) Pvt Ltd (100%)
- Atria Solar Power Chamrajnagar Pvt Ltd (100%)
- Atria Solar Power Itagi Pvt Ltd (100%)
- Atria Solar Power (Koppal) Pvt Ltd (100%)
- Atria Solar Power (Raichur) Pvt Ltd (100%)
- Atria Wind Private Ltd (100%)
- Atria Wind Power Pvt Ltd (70%)
- Atria Wind Power (Basavana Bagewadi) Pvt Ltd (70.16%)
- Atria Wind Power (Savarkundla) Pvt Ltd (100%)
- Atria Wind Power (Kayathar) Pvt Ltd (100%)
- Atria Wind Power (Bijapur 1) Pvt Ltd (60.53%)
- Atria Wind Power (Bijapur 2) Pvt Ltd (100%)
- Atria Wind Power (Chitradurga) Pvt Ltd (65.63%)
- Atria wind Power (Kadambur) Pvt Ltd (95%)
- Atria Wind Power (K1) Private Limited (100%)
- Atria Wind Power (GJ) Private Limited (100%)
- Atria Wind Power (AN) Private Limited (100%)
- Atria Wind Power (KR 2) Private Limited (100%)
- Atria Wind Power (KR 3) Private Limited (100%)
- Atria Rooftop Holdings Private Limited (100%)
- Atria Rooftop LLP (45%)
- Atria Hydel (KRS) Pvt Ltd (100%)
- Atria Smart Energy Solutions, S.L.U. (100%)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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