

## Atria Brindavan Power Private Limited

April 04, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	64.40	CARE BBB (SO) ; Stable (Triple B (Structured Obligation); Outlook: Stable)	Revised from CARE BBB- (SO); Stable (Triple B Minus; Outlook: Stable)
<b>Total</b>	<b>64.40</b> <b>(Rs. Sixty four crore and forty lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating is based on credit enhancement in the form of assignment of future receivables from sale of power from 16 MW hydro power project of Atria Brindavan Power Private Limited (ABPPL) for servicing the rated bank facility through an escrow mechanism and maintenance of DSRA and considering the strength of ABPPL on a consolidated basis. The revision in rating assigned to bank facilities of ABPPL takes into account improved generation and performance of hydel assets on account of better rainfall in addition to improved performance and generation at consolidated level aided by capacity addition (430 MW in Jan '19 against 313 MW in Sep '17) and higher number of projects attaining stability. The rating 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 all projects, and expected up-streaming of surplus cash available in SPVs to the holding company. The rating continues to factor in 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.

The rating is however constrained by significantly debt funded capex program leading to high leverage, non-convertible debentures raised from Piramal along with associated refinancing risk, risk associated with projects under implementation, stabilization and other project specific issues with some of the SPVs and susceptibility of generation to climatic conditions.

### 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 in FY '17 & '18.

#### ***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 after subdued generation for last two years backed by good rainfall. Further, on a consolidated level, the operating income recorded significant jump in FY '18 at Rs.338.58 cr (FY '17: Rs.172.61 cr) supported by ongoing capacity addition year on year and higher number of projects achieving stability, aiding company in achieving higher generation. Despite the rapid scale up of capacity, company has been commissioning projects in a timely manner and has 430 MW of operational capacity as of January, 2019 as against aggregate capacity of 313.6 MW in September, 2017. Aggregate generation in FY '18 improved to 645 MUs from 412 MUs in FY '17 and has further improved to 822 MUs in 10MFY '19.

#### ***Long-term revenue visibility from long-term PPAs for operational capacity and diversified project portfolio***

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. A significant portion of power is sold to state distribution utilities like Gujarat

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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 the SPVs are vulnerable to the credit risk associated with exposure to state distribution utilities. However, the company has been diversifying the offtake risk by diversification in terms of DISCOM level, and also by tying up with corporates (under third party/group captive model). As on December 2018, 48% 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.

***Comfortable liquidity position and expected up-streaming of surplus cash available in various SPVs to holding company***

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.

**Key Rating Weaknesses**

***Leveraged capital structure***

The capital structure of ABPPL continues to remain leveraged due to rise in the term debt availed by various SPVs for the new projects, infusion of funds from Piramal Capital & Housing Finance Private Limited (Piramal) in the form of Non-convertible debentures, and working capital limits availed by the SPVs while continuing PAT level losses have eroded company's net worth. ABPPL had outstanding debt of Rs.1,890 cr on a consolidated basis as of March 31, 2018 (including NCDs). Overall gearing was at 8.17x as on Mar'18. The gearing on a consolidated basis is expected to deteriorate with funding in new projects.

***Refinancing risk associated with the funds raised from Piramal***

The funds availed from Piramal are reinvested as equity in various SPVs. The funds raised from Piramal in the form of Non-convertible debentures shall be redeemed partly in the 6<sup>th</sup> year of investment (in FY '23) and remaining at the end of 7<sup>th</sup> year of investment (in FY '24) exposing it to refinancing/repayment risk.

***Risk associated with project under implementation***

ABPPL has 89 MW projects under implementation. Debt tie up is under process and certain portion of promoter's contribution pending. 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) witnesses 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 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**

As on Jan 2019, ABPPL has free cash balance of Rs. 131 crore across various SPVs in addition to DSRA balance of Rs. 108 crore maintained as per sanction terms, on a consolidated level.

**Analytical approach:**

Assessment of the project cash flow from 16 MW hydro asset and considering the credit enhancement measures in the form of maintenance of 1Q DSRA. This apart, consolidated financials and business profile of Atria Brindavan Power Pvt Ltd and its subsidiaries has been considered to arrive at the strength of ABPPL at consolidated level to meet any shortfall in the above said project cash flow.

**Subsidiaries (position as on March 31, 2018):**

- WPA Clean Energy Private Limited (94.97%)
- Blyth Wind Park Pvt Ltd (74%)
- 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 (Kaddapa) Pvt Ltd (100%)
- Atria Solar Power (Chapiri) Pvt Ltd (100%)
- Atria Solar Power (Anantpur) Pvt Ltd (100%)
- Atria Solar Power Chamarajnagar 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 Power Pvt Ltd (100%)
- Atria Wind Power (Basavana Bagewadi) Pvt Ltd (98.9%)
- Atria Wind Power (Savarakundla) Pvt Ltd (100%)
- Atria Wind Power (Kayathar) Pvt Ltd (100%)
- Atria Wind Power (Bijapur 1) Pvt Ltd (73.4%)
- Atria Wind Power ( Bijapur 2) Pvt Ltd (100%)
- Atria Wind Power (Chitradurga) Pvt Ltd ( 74%)
- Atria wind Power (Kadambur) Pvt Ltd ( 94%)
- Atria Hydel (KRS) Pvt Ltd (100%)
- Atria Smart Energy Solutions , S.L.U. (100%)

**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 - 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 Vishweswaraiah canal and 4 MW based on the Cauvery river discharges). On a consolidated level, ABPPL has operational portfolio of 430.8 MW consisting of hydel (16MW), wind (334.8 MW) and solar (80 MW) at present.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	172.61	339
PBILDT	110	263
PAT	(106)	(201)
Overall gearing (times)	3.64	10.18
Interest coverage (times)	1.15	1.17

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	64.40	CARE BBB (SO); 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (08-Nov-16)	1)CARE BBB- (08-Jun-15)
2.	Fund-based - LT-Term Loan	LT	64.40	CARE BBB (SO); Stable	-	1)CARE BBB-(SO); Stable (14-Nov-17) 2)CARE BB+(SO); Stable (28-Apr-17)	-	-

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