Atria Brindavan Power Private Limited

September 23, 2021

Ratings

Facilities/Instruments	**Amount (Rs. crore)**	**Ratings**	**Rating Action**
Long Term Bank Facilities	50.85 (Reduced from 54.45)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**50.85** **(Rs. Fifty Crore and Eighty-Five Lakhs Only)**		
Non-Convertible Debentures-Proposed	1,050.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Total Long-Term Instruments	**1,050.00** **(Rs. One Thousand Fifty Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

While assigning rating to Atria Brindavan Power Private Limited (ABPPL), CARE has assessed the performance of all entities in which the company has made investments, apart from standalone credit profile of ABPPL.

The rating assigned to the bank facilities and proposed instruments of ABPPL positively factors that it is at advanced stages of refinancing of existing NCDs, the repayment of which was scheduled to commence from FY23 onwards. While this has mitigated the refinancing risk largely, however refinancing is being done with issuance of another NCD to redeem the earlier debt including the unamortized portion. Company’s net-worth had eroded as on March 31,2021 due to high interest outflow and capital structure is expected to remain elevated in medium term. While the management has guided about redemption of proposed NCD with equity issuance, timely occurrence of the same will key to its prospects. CARE also takes note that a part of NCD proceeds will also be utilized for growth capital.

The rating continues to derive strength from satisfactory operational track record of its projects, 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.

These rating strengths are however partially off-set by implementation risks associated with upcoming projects being planned by the company, project specific issues with some of the SPVs and susceptibility of generation to climatic conditions.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Completion of under construction pipeline without any cost and time over-runs, satisfactory progress on implementation of capacities.
- Ability of the company to raise equity leading to reduced debt levels.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Significantly lower than envisaged CUF levels for various group’s operational projects on sustained basis negatively impacting debt coverage indicators.
- Elongation in receivable cycle of various operational projects impacting the overall liquidity profile of the project SPVs and holding company.
- Inability or delay in raising project finance for meeting requirements of under-construction project pipeline

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. The group has continuously expanded capacity over the years with significant number of projects becoming operational from FY17 onwards. ABPPL on a consolidated basis has operational capacity of 518.20 MW as on June 30, 2021.

Stable operating performance: The group's assets continued to perform satisfactorily with company reporting total operating income on consolidated basis of Rs.501.70 crore during FY21 as against Rs. 547.70 crore achieved during FY20. ABPPL majorly has wind assets and low wind velocity across many states led to lower units generated of 1015 million units during FY21 (FY20: 1070 million units) resulting in lower revenue. ABPPL also undertakes EPC works for its group companies at arm's length pricing. However, lower capacity addition during FY21 led to lower EPC revenue booking during the financial year. In the absence of adequate EPC profits combined with high accrued interest on NCD, ABPPL reported net losses during FY21.

Long-term revenue visibility with the long-term PPAs for operational capacity and diversified project portfolio: Atria group has operational portfolio of 518.2 MW as on June 30, 2021 under various SPVs. The group has tied up long term PPAs ranging between 10-25 years at attractive tariffs for its operational capacity which provides long-term revenue visibility. As on June 30, 2021 around 57% of the PPAs are under group captive model with reputed third party off-takers and 14% with state discoms such as Gujarat Urja Vikas Nigam Ltd (GUVNL), Bangalore Electricity Supply Company Limited (BESCOM) and Chamundeshwari Electricity Supply Corporation Limited (CESCOM) having a satisfactory credit profile. However, around 29% of the operational capacity is tied up with state discoms such as Tamil Nadu Generation & Distribution Corporation (TANGEDCO) and M.P. Power Management Company Limited (MPPMCL) having weak financial risk profiles thereby exposing the group counter party risk. Thus, timely receipt of tariff payments from these state discoms in future would be crucial from credit perspective.
Nevertheless, as communicated by the management, going forward for the upcoming capacity, the group will tie up with reputed third-party consumers having satisfactory credit profile which is likely to improve the project mix significantly going forward once the under-construction capacity gets commissioned.

Key Rating Weaknesses

Leveraged capital structure: The capital structure of the company at consolidated level continued to remain leveraged due to continuing PAT level losses owing to high depreciation and interest costs resulting in erosion of company's net-worth. Going forward with additional debt at corporate level raised to prepay the existing debt as well as to meet equity requirements for upcoming projects the capital structure of the company is expected to remain leveraged.
However, excluding the NCD and associated interest cost, project assets maintain satisfactory debt covers. The 518.2 MW project assets generate over 1000 MUs delivering Rs.500 crore of income with debt/EBIDTA of 5.42x and debt/MW of 4.94x which compares favourably with peers.

Exposed to refinancing risk though reduced to certain extent with fresh NCDs being raised at corporate level: The company is in the process of raising NCDs amounting Rs. 1050 crore proceeds of which will be partly utilized to prepay existing NCDs and remaining would be used as growth capital i.e. to meet the equity requirement of under construction projects.
The NCDs being raised currently are for a tenor of six years and are proposed to be repaid in structured half yearly instalments after a moratorium of 4.5 years from the date of drawdown.
Thus, the repayment for the current NCD will commence from FY26 as against repayment due in FY23 and FY24 for existing NCDs thereby reducing the refinancing risk in the medium term.
Nevertheless, the company continues to remain exposed to refinancing risk associated with the debt being raised currently.

Implementation risk associated with upcoming projects: ABPPL plans to add capacity of approximately 500 MW in the next two years including of hybridization of existing projects as well as new hybrid projects. The capital requirements for the expansion plans in terms of equity contribution is proposed to be met by proceeds from the existing NCDs, top up from refinancing of loans in SPVs and internal accruals. Given the under-construction pipeline, the company would be exposed to execution risk as it would need to avail various approvals in a timely manner including land acquisition and evacuation etc., along with timely completion of financial closure. However, the company has a demonstrated track record of developing, constructing and operating renewable power projects thereby reducing the implementation risk to a certain extent.

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

Liquidity position of the group continues to be healthy with free cash and cash equivalent of Rs.98.59 crore and Rs.160.95 crore DSRA as on August 30, 2021. On a standalone basis, ABPPL has free cash balance of Rs. 36.71 crore and 2Q DSRA of Rs. 8.28 crore as on August 30, 2021. Apart from certain SPVs like Kukru Wind Power Pvt Ltd, Betul Wind Farms Ltd and Atria Wind (Kadambur) Pvt Ltd. which are facing delay in timely receivable collection due to counterparty related issues, liquidity is largely adequate in other SPVs.

ABPPL has availed interest moratorium for Jun’20-Aug’20 months which was subsequently paid back while only principal payment for Jun’20 quarter has been shifted in repayment schedule.

Analytical approach: Standalone along with assessment of company’s investment in various renewable projects including evaluation of cash flow available from these SPVs for upstreaming and support required in other cases

Applicable Criteria

Rating Outlook and Credit Watch
CARE's Policy on Default Recognition
Rating Methodology-Consolidation
Financial Ratios-Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Rating Methodology-Power Generation Projects
Rating Methodology-Solar Power Projects
Rating Methodology-Wind Power Project

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 518.20 MW as on June 30, 2021

Brief Financials- Consolidated (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	547.7	501.71
PBILDT	398.4	375.89
PAT	-222.5	-262.10
Overall gearing (times)	NM	NM
Interest coverage (times)	1.21	0.99

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

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 for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	ISIN	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2028	50.85	CARE BBB; Stable
Debentures-Non Convertible Debentures-Proposed	-*	-*	-*	-*	1050.00	CARE BBB; Stable

**Proposed*

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	50.85	CARE BBB; Stable	1)CARE BBB; Stable (08-Apr-21)	1)CARE BBB; Stable (03-Apr-20)	1)CARE BBB (SO); Stable (04-Apr-19)	-
2.	Debentures-Non Convertible Debentures- Proposed	LT	1050.00	CARE BBB; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated facilities and instruments

Name of the Instrument	Detailed explanation
Financial covenants	**Not Stipulated**
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 DSRA equivalent to 2 Quarters interest and principal debt service obligations to be maintained.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures- Proposed	Simple
2.	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

Click here to view Bank Lender Details

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

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