

Rating Rationale

April 01, 2024 | Mumbai

Oriana Power Limited

'CRISIL BBB/Stable/CRISIL A3+' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.100 Crore
Long Term Rating	CRISIL BBB/Stable (Assigned)
Short Term Rating	CRISIL A3+ (Assigned)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its 'CRISIL BBB/Stable/CRISIL A3+' ratings to the bank facilities of Oriana Power Ltd (OPL; part of the Oriana group).

The ratings reflect the extensive experience of the promoters, healthy order book providing revenue visibility, and above-average financial risk profile. These strengths are partially offset by exposure to intense competition and volatility in raw material prices, and a large part of networth invested in subsidiaries.

Analytical Approach

CRISIL Ratings has moderately consolidated the business and financial risk profiles of OPL along with its subsidiaries. In line with this, the equity requirement and expected cost overrun in under-implementation projects have been factored into the financials of the group.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive experience of the promoters and healthy revenue visibility:** Benefits from the promoters' experience of more than a decade in the solar product engineering procurement construction (EPC) industry and healthy relations with suppliers and customers should continue to support the business over the medium term. The company has delivered over 180 megawatt of solar projects, thus completing around 70+ EPC projects in a timely manner and within the stipulated cost (including projects such as floating solar plants). Strong order book of over Rs 900 crore as on March 1, 2024, provides healthy revenue visibility for the medium term. Operating income is likely to grow substantially in fiscal 2024 (sales of Rs 202 crore till December 31, 2023) to above Rs 350 crore from Rs 133.9 crore in fiscal 2023. Its healthy orderbook should support the business risk profile and ensure growth in revenue over the medium term.
- **Above-average financial risk profile:** Networth was healthy, expected at over Rs 130 crore as on March 31, 2024, supported by equity infusion of Rs 59.66 crore after its IPO in fiscal 2024. Limited debt on books has resulted in healthy gearing and total outside liabilities to tangible networth ratio. However, it has provided corporate guarantees for term debt of its subsidiaries and is likely to continue to do so for additional subsidiaries in the coming fiscals. Debt protection metrics are expected to be above average, supported by healthy operating margin which is expected to be around 17% in fiscal 2024.

Weaknesses:

- **Exposure to intense competition and volatility in raw material prices:** The industry is highly fragmented, which limits pricing flexibility and bargaining power of the players. This restrains any pass-through mechanism, leading to a volatile operating margin. Furthermore, the group operates in a tender-based industry, where revenue and profitability depend on successful bidding. Though operating margin is likely to improve above 17% in fiscal 2024 from 14.8% in fiscal 2023, sustaining this will remain monitorable.
- **Large portion of networth invested in special-purpose vehicles (SPVs):** OPL has around 16 subsidiaries where it is executing solar projects on RESCO model. The company has invested ~Rs 24.7 crore of equity in these subsidiaries as on March 31, 2023 (~69% of its networth) and is expected to invest another Rs 75 crore as on March 31, 2024 (~54% of expected networth), funding for which will remain a key monitorable. The company is likely to continue to make investments in its SPVs with plans to set up new solar plants in fiscals 2025 and 2026. Furthermore, a large part of the investments is in subsidiaries that are still in the construction phase. The company has also provided a corporate guarantee for the term debt of its subsidiaries.

However, as a result of the company's track record in completing previous SPV projects in a timely manner, CRISIL Ratings expects OPL to complete these projects without any cost overruns and on time, which mitigates this risk to some extent.

Liquidity: Adequate

Bank limit utilisation was around 56% for the 12 months through January 2024. Cash accrual of over Rs 40 crore will be sufficient to meet term debt obligation of Rs 3 crore, over the medium term. However, the company is likely to invest sizeable equity of Rs 60-70 crore in fiscal 2025 in its SPVs and above Rs 70 crore in fiscal 2026, which could constrain liquidity. OPL has also provided a corporate guarantee for the term debt of its subsidiaries. The current ratio was moderate at 1.08 times as on March 31, 2023, however, is expected to improve over the medium term.

Outlook: Stable

The group will continue to benefit from the extensive experience of its promoters and healthy order book.

Rating Sensitivity factors

Upward factors

- Steady improvement in revenue above Rs 550-600 crore and sustenance of operating margin, leading to higher-than-expected cash accrual.
- Improvement in equity invested in under-construction SPVs to networth ratio.

Downward factors

- Higher-than-expected equity infusion in the SPVs impacting financial risk profile, including liquidity.
- Decline in revenue or fall in operating margin below 12-13% leading to lower-than-expected cash accrual.

About the Company

Noida (Uttar Pradesh)-based OPL was incorporated as private limited company in 2013 and reconstituted as closely held public limited company in 2023. Promoted by Mr Praveen Kumar Jangra, Mr Rupal Gupta, and Mr Anirudh Saraswat, OPL, along with its subsidiaries, is engaged in two main business verticals: providing of EPC and operations of solar power projects, and offering solar energy solutions on a BOOT (build, own, operate, transfer) basis.

OPL is listed on the National Stock Exchange (NSE) SME platform.

Key Financial Indicators - Standalone

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	133.87	101.15
Reported profit after tax (PAT)	Rs crore	12.49	6.92
PAT margin	%	9.33%	6.85%
Adjusted debt/adjusted networth	Times	0.42	0.44
Interest coverage	Times	14.01	24.64

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	30	NA	CRISIL A3+
NA	Cash Credit	NA	NA	NA	10	NA	CRISIL BBB/Stable
NA	Cash Credit	NA	NA	NA	5	NA	CRISIL BBB/Stable
NA	Fund-Based Facilities	NA	NA	NA	6.9	NA	CRISIL BBB/Stable
NA	Letter of Credit	NA	NA	NA	25	NA	CRISIL A3+
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	23.1	NA	CRISIL BBB/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Oriana Power Limited	Moderate consolidation	To the extent of support towards equity commitment and cost overrun during construction and cash flow mismatches during operations
AAN Solar Private Limited		
AVM Solar Private Limited		
Kamet Solar SPV Private Limited		

MSD Solar Private Limited
OPPL Assets Private Limited
OPPL DEL 1 SPV Private Limited
OPPL DEL SPV Private Limited
OPPL Guj SPV Private Limited
OPPL SPV CG Private Limited
OPPL SPV HAR Private Limited
OPPL SPV Raj Private Limited
OPPL TeIn SPV Private Limited
RAAV Solar Private Limited
RAP Solar Private Limited
Zanskar Solar SPV Private Limited
Zanskar Solar Raj Private Limited

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	45.0	CRISIL BBB/Stable	16-02-24	Withdrawn	13-02-23	CRISIL B+ /Stable(Issuer Not Cooperating)*		--	22-12-21	CRISIL B+ /Stable(Issuer Not Cooperating)*	CRISIL B+ /Stable(Issuer Not Cooperating)*
Non-Fund Based Facilities	ST	55.0	CRISIL A3+		--		--		--		--	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	30	HDFC Bank Limited	CRISIL A3+
Cash Credit	10	HDFC Bank Limited	CRISIL BBB/Stable
Cash Credit	5	ICICI Bank Limited	CRISIL BBB/Stable
Fund-Based Facilities	6.9	State Bank of India	CRISIL BBB/Stable
Letter of Credit	25	ICICI Bank Limited	CRISIL A3+
Proposed Long Term Bank Loan Facility	23.1	Not Applicable	CRISIL BBB/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufacturing and service sector companies
Rating Criteria for Construction Industry
CRISILs Criteria for Consolidation

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