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RattanIndia's solar plans in sunset mode

The former IndiaBulls power firm bucks trend to focus on thermal power

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If coal-based electricity has a bleak future because renewables are rapidly replacing it and companies are pulling away from it, then RattanIndia's exit from solar power generation earlier this month is counter-intuitive. A decade ago, its promoter Rajiv Rattan had co-founded IndiaBulls, an online stock broking company that branched out into real estate and power. In 2014, however, Rattan moved out to float his own group with the power and infrastructure businesses that now has a non-banking finance company (NBFC) licence.

For much of the past few years, the group's power business has been struggling with its two thermal plants in financial stress. Now it has sold its solar plants to Global Infrastructure Partners (GIP), one of the world's largest private equity players in infrastructure, for around ₹1,670 crore. "They probably need more cash so they sold solar business when companies are otherwise moving more towards renewables," said an analyst who did not wish to be identified. Rajiv Rattan was unavailable for comments and emails sent to spokepersons remained unanswered.

What GIP got through the deal was a combined capacity of 306 Mw in ground-mounted and rooftop installations in 10 cities in Karnataka, Maharashtra, Rajasthan and Uttar Pradesh. GIP has $51 billion assets under management and 26,000 Mw of renewable energy generation projects across the world. The ₹1,670 crore GIP pays to RattanIndia Solar means a valuation of ₹6 crore per MW, almost on a par with the cost for putting up coal-based capacity. This is not only another lifeline for the debt-laden group, but underscores the investment prospects of renewable energy at large. At a megawatt level, thermal power traditionally gives more value for money since it is capable of running at higher plant load factors (PLF) compared to renewable projects that are intermittent in nature.

Nonetheless, stressed thermal power assets have found few takers and the insolvency resolution processes for them have been hit. "Power demand is low, so no one wants to buy capacity right now. Besides, existing players are moving to renewable," said the analyst quoted above. The group's 1,350 Mw Amravati thermal power project, for instance, was available for supply at 90.44 per cent of capacity in 2019-20 but the actual PLF was 26.95 per cent owing to lower buying by Maharashtra. This was lower than 2018-19 when it was able to generate at 34.45 per cent PLF (though the availability was lower at 73.57 per cent because one of its units was shut down for technical reasons).

Last December, the Amravati project went through a debt resolution process under the February 2018 Reserve Bank of India's (RBI) guidelines. Before the settlement, the company's debt was around ₹8,074.55 crore. Its 12 lenders led by Power Finance Corporation (PFC) and State Bank of India assigned the principal debt of around ₹6,574 crore to a set of new foreign investors and lenders, including Goldman Sachs and Varde Partners through the Aditya Birla ARC Limited.

A portion of the outstanding debt ₹3,315 crore was settled through cash payment to lenders. Another ₹4,050 crore was settled primarily through fund infusions from global investors, and the remainder of around ₹710 crore was settled by issuing equity and preference shares to earlier lenders.

The group is now grappling with its 1,350 Mw Sinnar Thermal Power in Maharashtra's Nashik district. The plant was commissioned in June 2017 but operated at sub-optimal capacity due to low demand. Even now, it has a letter of intent from the Maharashtra State Electricity Distribution Company (MSEDCL) for power purchase of just 507 Mw. The company says it is looking for lender support to restart operations.

According to Rattan's recent letter to shareholders before the company's annual general meeting on September 20, the group is short of working capital for the Sinnar power plant, so the money from the sale of solar power assets could come in handy. The company did not respond to a query on how it planned to use the proceeds from selling RattanIndia Solar to GIP.

Rattan India's solar foray came two years after it was spun off from the IndiaBulls group in 2016 and it commissioned some of the renewable capacity by FY18. That it had large land parcels helped it put up some of the projects. PPAs of 25-year duration, 95 per cent of them being with Union government entities NTPC and Solar Energy Corporation of India, helped since it reduced the risk of selling power to cash-strapped state distribution firms. It had also managed to rope in GE Energy Financial Services as one of the investors in the solar business.

Though Rattan India Power made a loss of ₹45 crore in the quarter ending June 2020 because of the Covid-19-induced lockdown, it did manage to post its first profit in FY20 (₹16.51 crore) after recording losses for previous five years. The stress on its thermal portfolio could be easing but there is no comfort of any near-term recovery in power demand. Meanwhile, the sale of solar assets has pulled the group away from a sunrise industry.

POWER SPREAD

What it is retaining

AMRAVATI THERMAL POWER PROJECT: **1,350 Mw**

Additional 1,350 Mw planned at Amravati industrial area

NASIK THERMAL POWER PROJECT: **1,350 Mw**
Second phase: 2,700 Mw

What it is selling

Location	Capacity (Mw)	Land owned and under possession	Land provided by Nodal Agency	Nodal Agency
MIDC Katol Industrial Area, Maharashtra	44	250 acres	-	IREDA & SECI
Uttar Pradesh	52	29 acres	250 acres	IREDA & SECI
District Mansa, Punjab	54	815 acres	-	PEDA
Jodhpur, Rajasthan	70	-	350 acres	NTPC
Tumakuru, Karnataka	50	-	250 acres	NTPC
Total	270 MW	1094 acres	850 acres	

Source: Company website