

Meja Urja Nigam Private Limited

December 01, 2023

| Facilities | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|-------------------------------------|---------------------------|---------------|
| Long-term bank facilities | 8,387.82 (Reduced from 9,391.20) | CARE A-; Stable | Reaffirmed |
| Long-term / Short-term bank facilities | 200.00 | CARE A-; Stable/ CARE A2+ | Reaffirmed |
| Short-term bank facilities | 250.00 | CARE A2+ | Reaffirmed |

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the long-term and the short-term bank facilities of Meja Urja Nigam Private Limited (MUNPL) continues to factor in the low sales risk by virtue of its long-term power purchase agreements (PPAs) having a cost-plus tariff structure, thus yielding stable cash flows. The ratings derive strength from the long-term fuel supply agreement (FSA) with Central Coalfields Limited (CCL) and Northern Coalfields Limited (NCL) with reasonable annual contracted quantity (ACQ) materialisation during FY23 (refers to the period from April 1 to March 31). The ratings consider the interim disruption of operation of Unit II due to boiler issue along with restoration and ramp-up of operation within previously envisaged timeline and thus the impact on its cash accrual profitability during FY23 had been in line with CARE Ratings Limited's (CARE Ratings') expectations. Moreover, given the resolution of boiler tube leakage issue, CARE Ratings expects the plant availability factor (PAF) and plant load factor (PLF) to remain steady going forward.

Although the project is leveraged, the ratings draw strength from the anticipated improvement in the financial risk profile characterised by higher projected gross cash accrual (GCA), resulting in reduction in total debt/PBILDT and improvement in interest coverage during FY24. The ratings derive comfort from the established track record and extensive project development experience of the joint venture (JV) promoters.

While there has been improvement in the collection profile of MUNPL, the rating strengths continue to remain tempered by the high counterparty risk associated with financial weaker off-takers. The ratings also take cognisance of the regulatory risks associated with recognition of capital cost for the project by the regulator.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in NTPC Ltd's (NTPC's) shareholding beyond 50%.
- Robust operational performance leading to higher-than-envisaged improvement in leverage and coverage metrics.
- Improvement in the credit risk profile of the UP and J&K discoms with reduction in the average collection period to less than 60 days on a sustained basis.

Negative factors

- Material reduction in NTPC's shareholding in MUNPL or reduction in managerial and operational support to the company.
- Inability of the plant to maintain normative PAF leading to significant under recovery of fixed charges on a sustained basis.
- Deterioration in the average collection period beyond 180 days, adversely impacting its liquidity.
- Any large debt-funded capex, adversely impacting the leverage and coverage metrics.

Analytical approach: Standalone

Outlook: Stable

The business risk profile of MUNPL is likely to remain healthy due to its long-term PPAs providing revenue visibility and steady operational performance. Its financial risk profile is expected to remain steady through maintenance of collection efficiency in the medium term.

Detailed description of the key rating drivers

Key strengths

Low sales risk with stable cash flow visibility due to long-term PPA at CERC determined tariff

The company has signed PPAs which are valid for a period of 25 years from COD of the plant. Current allocation to Uttar Pradesh Power Corporation Limited (UPPCL) is around 80% of the total capacity of the plant. The tariff in the long-term PPAs is based on

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

CERC tariff guidelines assuring 15.5% return on equity and thus stable cash accrual. The capacity charges are recoverable in full if the plant availability achieves normative PAF of 85%. The energy charges are determined on the basis of landed cost of fuel applied on the quantity of fuel consumption at normative operating conditions.

Minimal fuel risk due to FSA tie-up with reasonable ACQ materialisation

MUNPL had signed 20-year FSAs with CCL and NCL for an ACQ of 5.086 million tonnes per annum (MTPA). This is sufficient to run the station at 74.28% PLF. ACQ materialisation from linkage coal was healthy in FY23.

Stabilisation of operations post rectification of boiler tube leakage issue

During February 2022 – August 2022 period, Unit -II remained shut down as a preventive measure upon occurrence of a technical defect. As a result, overall PAF was lower-than-normative level during FY22 and FY23 at 78.90% and 75.28%, respectively. Restoration and ramp-up of operations are evidenced from healthy PAF of 92.87% during Q1FY24 (refers to the period from April 01 to June 30). PLF, which was 65.49% and 63.71% during FY22 and FY23, respectively, stood at 75.14% during Q1FY24. Auxiliary consumption of the plant remained at a satisfactory level during FY22 and FY23.

Steady financial risk profile

While there was under-recovery in capacity charge during FY23, the profitability has remained broadly in-line with CARE Ratings' previous estimates. The PBILDT interest coverage and total debt/PBILDT, which consequently moderated during FY23 to 2.02x and 6.69x, respectively, is projected to improve in FY24 following stabilisation of operational performance.

Established promoters with large project development experience

MUNPL is a 50:50 JV of NTPC (rated 'CARE AAA; Stable/CARE A1+') and Uttar Pradesh Rajya Vidyut Utpadan Nigam Ltd (UPRVUNL). NTPC is the largest power generation company in India with significant experience in setting up and operating coal-based thermal generation assets across the country. NTPC has been instrumental in providing operational support to MUNPL which includes project implementation, deployment of senior management to run day-to-day operations and availability of alternate supply of coal to MUNPL from its stations. The other JV partner, UPRVUNL, is a state-owned power generation company of U.P.

Key weaknesses**Counterparty credit risk due to weak financial profile of beneficiaries**

MUNPL is exposed to the counter party credit risks in view of relatively weak financial health of its power off-takers. Collection efficiency has improved during FY23 to 95.6% from 93.8% in FY22 due to the implementation of EMI scheme defined in Electricity (Late Payment Surcharge and Related Matters) Rules, 2022. All receivables are realised within 60 days as on March 30, 2023.

Regulatory risk

The company is exposed to the regulatory risk, as it has not received the final tariff order of the plant. As per the management, the company has already filed tariff petition of the plant with revised cost. Hence, the extent of capital cost allowed by the regulator vis-à-vis the incurred capital cost as filed by MUNPL is yet to be seen and CARE Ratings will continue to monitor the same.

Leveraged capital structure

As a result of delayed project implementation and funding of debt to equity ratio of 70:30, the company's TD/PBILDT is high. The company expects to commission its flue gas de-sulphurisation units during FY24 and thereafter, there will be no significant pending capital expenditures for Units I and II.

The JV partners of MUNPL are evaluating proposals to set up large thermal power projects in Uttar Pradesh. In case the same materialises, it may have significant impact on the leverage metrics of the company.

Liquidity: Adequate

The company has comfortable liquidity in the form of cash and equivalent of ₹75 crore as on March 31, 2023. Average utilisation of fund-based working capital limits for trailing 12 months ended September 2023 stood at around 29.83%. There is adequate headroom between the projected GCA and the scheduled repayment for FY24.

Applicable criteria

- [Policy on default recognition](#)
- [Financial Ratios – Non financial Sector](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Credit Watch](#)
- [Short Term Instruments](#)
- [Infrastructure Sector Ratings](#)
- [Thermal Power](#)
- [Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

| Macro-economic Indicator | Sector | Industry | Basic Industry |
|--------------------------|--------|----------|------------------|
| Utilities | Power | Power | Power generation |

MUNPL was incorporated in April 2008 for the purpose of setting up 1,320 MW (2x660) coal-based super-critical thermal power plant in Meja, district Allahabad, U.P. The company is a joint venture of NTPC Ltd and UPRVUNL. The debt for the approved cost of the project has already been tied up with Power Finance Corporation (PFC), State Bank of India (SBI) and Bank of Maharashtra (BOM). The first unit of the plant achieved commercial operations date (COD) on April 30, 2019, and the second unit achieved COD on January 31, 2021.

| Brief Financials (₹ crore) | FY22 (A) | FY23 (A) | Q1FY24 (UA) |
|----------------------------|----------|----------|-------------|
| Total operating income | 3,530 | 3,849 | 1,157 |
| PBILDT | 1,387 | 1,169 | 372 |
| PAT | 278 | 158 | 73 |
| Overall gearing (times) | 2.47 | 2.28 | - |
| Interest coverage (times) | 2.33 | 2.02 | 2.72 |

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: NA

Any other information: NA

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|-------------------------------|------|------------------|-----------------|---------------|-----------------------------|---|
| Fund-based - LT-Cash credit | - | - | - | - | 1800.00 | CARE A-; Stable |
| Fund-based - LT-Term loan | - | - | - | March 2037 | 6587.82 | CARE A-; Stable |
| Fund-based - ST-Term loan | - | - | - | August 2024 | 250.00 | CARE A2+ |
| Non-fund-based - LT/ ST-BG/LC | - | - | - | - | 200.00 | CARE A-; Stable / CARE A2+ |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-----------------------------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| 1 | Fund-based - LT-Term loan | LT | 6587.82 | CARE A- ; Stable | - | 1)CARE A- ; Stable (30-Sep-22) | 1)CARE A- ; Stable (04-Aug-21) | 1)CARE BBB+ ; Stable (07-Sep-20) |
| 2 | Non-fund-based - LT/ ST-BG/LC | LT/ST* | 200.00 | CARE A- ; Stable / CARE A2+ | - | 1)CARE A- ; Stable / CARE A2+ (30-Sep-22) | 1)CARE A- ; Stable (04-Aug-21) | 1)CARE BBB+ ; Stable (07-Sep-20) |
| 3 | Fund-based - LT-Cash credit | LT | 1800.00 | CARE A- ; Stable | - | 1)CARE A- ; Stable (30-Sep-22) | 1)CARE A- ; Stable (04-Aug-21) | - |
| 4 | Fund-based - ST-Term loan | ST | 250.00 | CARE A2+ | - | 1)CARE A2+ (30-Sep-22) | - | - |

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: NA
Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|-------------------------------|------------------|
| 1 | Fund-based - LT-Cash credit | Simple |
| 2 | Fund-based - LT-Term loan | Simple |
| 3 | Fund-based - ST-Term loan | Simple |
| 4 | Non-fund-based - LT/ ST-BG/LC | Simple |

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

Contact us

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| <p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in</p> | <p>Analytical Contacts</p> <p>Rajashree Murkute Senior Director CARE Ratings Limited Phone: +91 – 22 – 6837 4474 E-mail: rajashree.murkute@careedge.in</p> <p>Agnimitra Kar Associate Director CARE Ratings Limited Phone: 91-120-4452019 E-mail: agnimitra.kar@careedge.in</p> <p>Soumya Sachdeva Rating Analyst CARE Ratings Limited E-mail: soumya.sachdeva@careedge.in</p> |
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About us:

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