

Madhya Pradesh Power Generating Company Limited

April 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,300.00	CARE C; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Madhya Pradesh Power Generating Company Limited (MPPGCL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings Ltd. has reviewed the ratings on MPPGCL's bank facilities, which will now be denoted as **CARE C; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating assigned to bank facilities of MPPGCL considers the delay in servicing of debt obligations of bank facilities (not rated by CARE Ratings) in February 2024, as indicated by the no-default statement (NDS) for February 2024 shared by the company. The rating assigned to MPPGCL's bank facilities is constrained due to the moderate operational performance in terms of lower-than-normative plant availability factor (PAF) in its power plants in FY23, leading to under-recovery of annual fixed charges (AFC) and consequent impact on MPPGCL's profitability. The rating is also constrained due to counterparty risk due to weak credit profile of its sole counterparty, M. P. Power Management Company Limited (MPPMCL; rated 'CARE BBB-; Stable/CARE A3'), stretched liquidity due to delay in receipt of payments from MPPMCL, leveraged capital structure, and weak debt coverage indicators. The rating also factors in envisaged debt-funded capex plans for setting-up of additional thermal and renewable power capacities and installation of a flue gas desulfurisation (FGD) system in its thermal plants.

However, CARE Ratings notes that MPPGCL is a wholly owned subsidiary of the Government of Madhya Pradesh (GoMP), which has demonstrated support in the form of equity infusion, government-guaranteed debt and perpetual loans to MPPGCL, and the strategic importance of being the state power generating company. The rating also factors in the presence of long-term power purchase agreements (PPAs) with MPPMCL operating under the regulated cost-plus tariff mechanism and fuel supply agreements (FSAs) in place for all its thermal power plants.

Analytical approach

Standalone, while factoring in the operational and financial linkages with GoMP.

Detailed description of the key rating drivers

At the time of last rating on December 04, 2023, the following were the rating strengths and weaknesses (updated for the information available)

Key weaknesses

Delays in debt servicing in case of facilities not rated by CARE Ratings

While MPPGCL has been regular in servicing debt that is rated by CARE Ratings (as confirmed by the company's banker), there are ongoing delays in debt servicing of facilities availed from financial institution (debt not rated by CARE Ratings) as per the monthly NDS given by the company.

Moderate operational and financial performance

Although there has been a marginal improvement in MPPGCL's operational performance in FY23, the PAF of its power plants remained lower than the normative levels in FY23. This has adversely impacted the company's ability to recover the AFC. MPPGCL's overall PAF power plants improved to 60.90% in FY23 as against 53.80% in FY22, whereas the overall plant load factor (PLF) of the plants improved to 57.80% in FY23 against 44.41% in FY22. Combined PAF for 6MFY24 was 60.22% and combined PLF was at 56.53%.

Moderate credit risk profile of the off-taker and high receivable levels

MPPGCL has executed long-term PPAs with MPPMCL for supply of power generated by its power plants. MPPMCL's credit profile is constrained due to its weak operating performance, marked by high aggregate technical and commercial (AT&C) losses, high average cost of supply-average revenue realised (ACS-ARR) gap, and weak capital structure, resulting in reduced financial flexibility. MPPMCL has a large amount of outstanding overdue payments, resulting in a high average overdue-to-monthly average billing. MPPMCL's liquidity is weak, which is managed through high utilisation levels of fund-based working capital limits and deferring of payments to creditors, including MPPGCL.

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

However, MPPGCL has started receiving payments from MPPMCL under the Ministry of Power's (MoP's) Late Payment Surcharge (LPS) Rules. The cut-off date for the outstanding dues was June 03, 2022. The outstanding dues will be payable in 40 instalments. As on March 31, 2023, the outstanding receivables of MPPGCL stood at around ₹6,910 crore as against ₹6,110 crore as on March 31, 2022, although it continues to remain high.

Leveraged capital structure and weak debt coverage indicators

MPPGCL's capital structure continued to remain highly leveraged with an overall gearing of 3.08x as at the end of FY23 (FY22: 3.41x) due to significant debt levels to fund the capex and support the operations of the company. The debt coverage indicators stood weak with a profit before interest, lease rentals, depreciation and taxation (PBILDT) interest coverage of 1.71x in FY23 (FY22: 1.19x). The total debt (TD)/gross cash accruals (GCA) and TD/PBILDT also stood high in FY23, at 8.54x (FY22: 10.30x) and 5.31x (FY22: 6.68x), respectively.

Significant debt-funded capex

MPPGCL has envisaged a capex for setting up additional thermal and renewable power capacities and installation of an FGD system in its thermal plants. The total envisaged capex over the next three to four years is around ₹10,000 crore, which is envisaged to be funded through a mix of both, debt and equity. The debt-to-equity ratio for the envisaged capex is expected to be 80:20.

Key strengths

Parentage of GoMP with support and strategic importance

MPPGCL is a government company, with 100% equity share capital being held by GoMP upon unbundling of the erstwhile Madhya Pradesh State Electricity Board (MPSEB) as a part of the domestic power sector reforms. MPPGCL supplies electricity to MPPMCL under long-term PPAs. By virtue of the strategic importance of being a state power generating company, GoMP has extended financial support through infusion of equity, perpetual loans, and extending guarantee for the borrowings of MPPGCL.

Presence of long-term PPAs under cost-plus tariff mechanism

MPPGCL has tied-up its entire power generation capacity with MPPMCL under long-term PPAs, mitigating the demand risk. These long-term PPAs have been signed under the regulated cost-plus tariff mechanism, which allows the company to pass on the entire costs to MPPMCL, subject to adherence to normative operating parameters. The per unit capacity and energy charges are determined by the Madhya Pradesh Electricity Regulatory Commission (MPERC), considering a post-tax return-on-equity (RoE) of 15.50%.

Fuel supply arrangements in place

Of the total installed power generation capacity of 6,321.58 MW of MPPGCL, around 85% is thermal. MPPGCL has entered into long-term FSAs with South Eastern Coalfields Limited (SECL) for 17.25 million metric tonne per annum (MMTPA), with Northern Coalfields Limited (NCL) for 1.54 MMTPA, and with Western Coalfields Limited (WCL) for 8.45 MMTPA, to cater to the fuel requirements of all its thermal plants.

Liquidity: Poor

MPPGCL's liquidity stood poor, marked by an elongated receivables period due to significant delays in receipt of dues and large outstanding receivables from MPPMCL for the power supplied. The operating cycle stood high owing to high receivables days of around 216 days in FY23 as against 255 days in FY22. The company has sanctioned fund-based working capital limits of ₹1,300 crore and the average utilisation of the same continued to remain high at around 78% in the last 12 months ended October 31, 2023, with maximum utilisation of around 96%.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Policy On Curing Period](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

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

MPPGCL was incorporated in 2001 for carrying out the power generation business in Madhya Pradesh. GoMP, vide its orders dated November 01, 2002, and May 31, 2005, unbundled the erstwhile MPSEB. The functions of generation, transmission, distribution, and retail supply of electricity, earlier carried out by the MPSEB, were restructured and transferred to five companies to function independently. MPPGCL took over the power generation plants of the erstwhile MPSEB post unbundling in April 2002. MPPGCL's operations of MPPGCL mainly include generation of power and selling it to MPPMCL on the basis of long-term PPAs. The equity requirements in all the ongoing and proposed projects are being met by GoMP. As on March 31, 2023, MPPGCL had a total power generation capacity of 6,321.58 MW, which includes a mix of thermal (coal) and hydro plants.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	9,139	10,844
PBILDT	1,986	2,365
PAT	49	102
Overall gearing (times)	3.41	3.08
Interest coverage (times)	1.19	1.71

A: Audited. The above financials have been adjusted as per CARE Ratings' criteria.

Note: These are latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer to Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments/facilities rated: Please refer to Annexure-4

Lender details: Please refer to Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument/Bank Facilities	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	1300.00	CARE C; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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-Cash credit	LT*	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A- (CE) (RWN) (27-Dec-22)	1)CARE A- (CE) (CW with Negative Implications) (16-Feb-22) 2)CARE A- (CE); Negative (16-Apr-21)	1)Provisional CARE A- (CE); Negative (29-Dec-20)
2	Unsupported rating-Unsupported rating (long term)	LT	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE D (16-Feb-22) 2)CARE D (16-Apr-21)	1)CARE D (29-Dec-20)
3	Fund-based - LT-Cash credit	LT	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE A- (CE); Negative (16-Feb-22)	1)CARE A- (CE); Negative (29-Dec-20)
4	Fund-based - LT-Cash credit	LT	1300.00	CARE C; ISSUER NOT COOPERATING*	1)CARE C (04-Dec-23) 2)CARE BB+; Stable (06-Jul-23)	1)CARE BB+; Stable (06-Jan-23)	-	-

*Long term.

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

Not applicable

Annexure-4: Complexity level of the various instruments/facilities rated

Sr. No.	Name of the Instrument/Bank Facilities	Complexity Level
1	Fund-based - LT-Cash credit	Simple

Annexure-5: Lender detailsTo 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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About us:

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Disclaimer:

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