

Maithon Power Limited

June 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	510.50 (Reduced from 555.54)	CARE AA+; Stable	Revised from CARE AA; Stable
Non-convertible debentures	300.00 (Reduced from 400.00)	CARE AA+; Stable	Revised from CARE AA; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings of Maithon Power Limited (MPL) factor in continued strong business and operational linkages with its parent The Tata Power Company Limited (TPCL) (TPCL, rated CARE AA+; Stable), credit profile of which witnessed an uptick, considering rising profitability under Mundra operations, turnaround in Odisha discoms and sustained improvement in the company's financial performance.

Ratings continue to draw comfort from MPL's revenue visibility and assured return by virtue of its long-term power purchase agreements (PPAs) for the entire capacity on a cost-plus basis. Ratings continue to favourably factor in low fuel supply risk due to its adequate fuel supply agreements (FSAs) and healthy annual contracted quantity (ACQ) materialisation. MPL's operational performance remained satisfactory as reflected by higher-than-normative plant availability factor (PAF), leading to full recovery of fixed charges and high plant load factor (PLF) in FY24. Ratings continue to derive strength from comfortable financial risk profile, characterised by moderate leverage as on FY24 as reflected by total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBIDTA) of 1.94x, total outside liabilities to net worth TOL/net worth) of 0.99x and healthy coverage metrics.

However, rating strengths are partially tempered by moderate counterparty risk arising due to weaker credit profile of a few off-takers, risk related to implementing the Flue Gas De-Sulphurization (FGD) project, and the plant being at a single location.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Materially improvement in the credit profile of the parent company, i.e., TPCL.

Negative factors

- Inability of the plant to maintain normative PAF leading to significant under recovery of fixed charges
- Deterioration in the credit profile of TPCL or reduction in support from the parent.
- Significant stretch in receivable level, adversely impacting the liquidity profile.

Analytical approach: Standalone.

Factoring in support from the parent TPCL. Ratings factor in operational and financial linkages with TPCL and have been accordingly notched up. MPL has common management and shares a common treasury with TPCL.

Outlook: Stable

The 'stable' outlook reflects MPL's ability to sustain its healthy operational performance, maintaining a reasonable inventory level, and a steady level of receivables in the medium-to-long term.

Detailed description of key rating drivers

Key strengths

Strong promoters and experienced management providing operational support

MPL is a 74:26 joint venture (JV) between TPCL and DVC. MPL benefits from technical and managerial support from TPCL, given the latter's vast and diversified presence in the power business, including generation, transmission, distribution, renewable, and the engineering, procurement and construction (EPC) space. The board of MPL consists of six directors, including the company's

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

chairman, who is nominated by TPCL. MPL accounts for more than 15% of TPCL's consolidated thermal power capacity and about 23% of TPCL's generation capacity operating in a regulated tariff regime. MPL has been providing loans and dividends to group companies on a regular basis.

Long-term PPAs providing revenue visibility and adequate FSAs

MPL signed a 30-year PPAs for its entire capacity of 1,050 MW with Damodar Valley Corporation (DVC; 150 MW), Tata Power Delhi Distribution Limited (300 MW), West Bengal State Electricity Distribution Co Ltd (300 MW), and Kerala State Electricity Board Limited (300 MW) on a cost-plus basis tariff model, providing revenue visibility. Tariffs in long-term PPAs are based on Central Electricity Regulatory Commission (CERC) tariff guidelines, assuring 15.5% return-on-equity (RoE), and ensuring stable cash accruals. Capacity charges are recoverable in full, if the plant availability achieves a normative PAF of 85%. Energy charges are determined based on landed cost of fuel applied on quantity of fuel consumption at normative operating conditions.

There is adequate regulatory clarity for the plant by virtue of availability of tariff order from 2019-2024, as notified by CERC.

The company has also tied up for its entire coal requirement (4.63 million tonne per annum [MTPA]) through long-term FSAs with subsidiaries of Coal India Limited (CIL). Due to healthy ACQ materialisation under linkage coal supply in the past and in FY24, dependence on alternative sources such as e-auction is relatively low.

Healthy operational performance of the power plant

MPL's PAF continues to be strong at 95% for FY24 (PY: 90%) i.e., above normative PAF of 85%, thereby leading to the full recovery of capacity charge. The PLF during FY24 improved to 89% (PY: 82%). Other operating parameters (auxiliary consumption, station heat rate [SHR], gross calorific value [GCV]) remained well under-control for FY24. Given the regulated nature of MPL's business, the company has stable cash flows and profitability.

Strong financial risk profile and coverage indicators

MPL maintained a comfortable financial risk profile, characterised by stable gross cash and its low interest burden, leading to healthy coverage and comfortable leverage metrics. The profit before interest, lease rentals, depreciation and taxation (PBILDT) interest coverage improved to 7.59x (PY: 6.09x) and the total debt to gross cash accruals (TD/GCA) improved to 2.46x (PY: 2.73x). The average collection period continued to be comfortable in FY24 at 31 days (PY: 12 days) considering timely payments from counterparties within the credit period available in the year.

The company is undertaking a FGD capex for both units of the power plant. The project is envisaged to be financed at a debt-to-equity ratio of 70:30, for which, the entire debt is tied up. Its physical and financial progress at approximately 88% and 75% respectively. In the past, the deleveraging of MPL has been at a much lower rate as compared to the extent of its cash generation. This was partly attributed to capex loan for railway siding and FGD. The timely completion of the FGD project within estimated costs will be a key monitorable.

Key weaknesses

Moderate counterparty risk

Counterparties namely West Bengal State Electricity Distribution Company Limited and Kerala State Electricity Broad Limited have weak credit profile. However, the average payment from off-takers are within the period of 60 days (allowed credit period) and therefore the risk remains moderate, However the payments from DVC and Tata Power Delhi Distribution Limited received within 30 days in FY24. Since credit profile of a few of off-takers is weak; hence, MPL continues to remain exposed to counterparty risk. However, MPL's collection period remained healthy in FY24, leading to a comfortable average collection period of 31 days in FY24, which provides comfort.

Liquidity: Strong

MPL's liquidity position is strong, with cash and cash equivalents (including liquid investments) to the tune of ₹136.27 crore as on March 31, 2024. MPL's projected cash accruals for FY24 against its capex commitment and debt repayment obligations is healthy. Its fund-based facilities largely remained unutilised due to the timely payment from off-takers. Utilisation of its non-fund-based facilities stood at around 10% for the trailing 12 months ended May 31, 2024. Being part of the Tata group, MPL enjoys financial flexibility and strong access to the capital market.

Applicable criteria

[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Infrastructure Sector Ratings](#)
[Thermal Power](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

MPL set up a thermal power generation plant having a total capacity of 1,050 MW at Jharkhand. The first unit of 525 MW (Unit I) was commissioned in September 2011, while the second unit (Unit II) was commissioned in July 2012. MPL entered long-term PPAs for full capacity with DVC (150 MW), Tata Power Delhi Distribution Limited (300 MW), West Bengal State Electricity Distribution Company Limited (300 MW), and Kerala State Electricity Board Limited (300 MW).

Brief Financials (₹ crore) *	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	3,027.92	3,360.27
PBILDT	727.55	849.69
PAT	339.20	448.70
Overall gearing (times)	0.74	0.69
Interest coverage (times)	6.09	7.59

A: Audited P: Provisional UA: Unaudited; Note: these are latest available financial results *Per CARE Rating methodology

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of 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
Debentures-Non Convertible Debentures#	INE082G07048	February 09, 2017	8%	February 07, 2025	100.00	CARE AA+; Stable
	INE082G07055			February 09, 2026	100.00	
	INE082G07063			February 09, 2027	100.00	
Term Loan-Long Term		-	-	September 30, 2032	510.50	CARE AA+; Stable

#ISIN INE082G07030 have been redeemed.

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 2024-2025	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
1	Debentures-Non Convertible Debentures	LT	300.00	CARE AA+; Stable	-	1)CARE AA; Stable (31-Aug-23)	1)CARE AA; Stable (02-Sep-22)	1)CARE AA; Stable (26-Nov-21)
2	Term Loan-Long Term	LT	510.50	CARE AA+; Stable	-	1)CARE AA; Stable (31-Aug-23)	1)CARE AA; Stable (02-Sep-22)	1)CARE AA; Stable (26-Nov-21)
3	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	-	-	1)Withdrawn (24-Nov-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:

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