

## MB Power (Madhya Pradesh) Limited

July 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE A+; Stable and withdrawn
Short-term bank facilities	-	-	Reaffirmed at CARE A1 and withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed ratings on bank facilities of MB power (Madhya Pradesh) Limited (MBPL) and subsequently withdrawn them, with immediate effect. The rating withdrawal is basis the request of MBPL and the 'No Objection Certificate' (NOC) received from the lenders that have extended the facilities rated by CARE Ratings.

Ratings factor in the low revenue risk of the company by virtue of the availability of long and medium-term power purchase agreement (PPA) for major proportion of the capacity. The company's credit strength is aided by the fuel supply agreement (FSA) with South-Eastern Coalfields Ltd (SECL), assuring reasonable availability of linkage coal at competitive prices and continued strong operational performance. Ratings also take note of the completion of flue-gas desulphurisation (FGD) for Unit-2 in May 2024 ahead of its initial schedule in December 2024. The company's strong liquidity position marked by healthy cash accruals and maintenance of debt service reserve account (DSRA) equal to two quarters of debt servicing is considered to be a credit positive.

However, the rating strengths continue to remain constrained by the weak financial risk profile of its offtakers. While the collection pattern has significantly improved in the last one year, counterparty credit risk remains arising out of the fundamentally weak financial position of its offtakers-the discoms. Ratings also consider MBPL's exposure to the vagaries of the merchant market for its untied-capacity. Ratings also take cognisance of the ongoing investigations by various agencies against the promoter, and adverse outcome may impact the company's business and/or financial risk profile.

**Analytical approach:** Standalone

**Outlook:** Stable

The 'stable' outlook reflects MBPL's ability to sustain its healthy operational performance, the maintenance of reasonable inventory level, realisation on merchant sales, and a steady level of receivables in the medium term.

### Detailed description of key rating drivers

#### Key strengths

#### Low revenue risk with sales arrangement for the majority of the installed capacity

MBPL has a long-term PPA for 360 megawatt (MW) with MPPMCL at a regulated cost plus tariff for 20 years and 60 MW with the Government of Madhya Pradesh (GoMP) at a variable cost for the life of the project. MBPL has also signed a 25-year PPA with PTC India Limited (PTC, which has signed a back-to-back PPA with UPPCL) for 385 MW. MBPL also entered a PPA for 161-MW gross capacity for three years with PTC (which has signed a back-to-back PPA with a Haryana distribution company [discom]). The company has also received a Letter of Award (LoA) from PFC Consulting for additional tie-up of 160.25 MW of the capacity for five years. However, the supply has not commenced given impending establishment of payment security mechanism by various state off-takers.

#### Fuel tie-up through FSA

MBPL has an FSA with SECL for the supply of linkage coal. Moreover, coal availability under the Scheme for Harnessing and Allocating Koyala Transparently in India (SHAKTI) mitigates the fuel supply risk for the project to a large extent. The annual contracted quantity (ACQ) materialisation under the linkage source has been healthy in FY23 and 9MFY24. Comfort is drawn from the fact that its PPA with Madhya Pradesh discoms has a fuel cost pass-through mechanism, while there is sufficient gap between the tariff under the competitively bid PPA and the coal cost.

#### Strong operational performance in FY24

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

MBPL's operational performance remained robust, its plant load factor (PLF) remained above normative levels, ensuring complete recovery of capacity charge for the contracted capacity. PLF also stood at the highest levels in the company's operational history, due to sustained power demand and better coal availability at 80% during the period (PY: 72%).

Moreover, the station heat rate and the auxiliary consumption were also in line with the past. The company also registered comfortable status under merit-order for the discoms. The average realisation on the merchant market remained strong, aiding revenue and margin.

### Comfortable financial risk profile

The term debt has significantly reduced in last one year - from ₹5,082 crore as on June 06, 2023 to ₹3,362 crore as on April 01, 2024. The projected debt service coverage ratio (DSCR) for the next three-year period stands comfortable. Also, the total debt to profit before interest, lease rentals, depreciation and taxation (PBILDT) stands comfortable at 3.19x in FY24. The company also maintains sufficient liquidity in the form of available undrawn lines of funding and free cash surplus leading to net debt/PBILDT at 2.33x in FY24.

### Improved financial flexibility due to favourable market condition

MBPL continued to clock healthy revenue from the sale of power on a short-term basis in FY24. The average unit realisation of short-term power sales remained above ₹5.5/unit enabling robust cash flow generation. The increased capacity is expected to further boost the company's revenue. The strong collection from the off-takers has led to higher-than-envisaged liquidity reserves of the company.

### Key weaknesses

#### Significant counterparty credit risk, although collection remained timely

Around 31% and 34% of the total revised capacity of MBPL is tied up with Uttar Pradesh and Madhya Pradesh discoms, respectively, both of which have relatively constrained financial profiles. However, MBPL's collection efficiency has continued to remain strong at above 100%. (FY23: 102%). CARE Ratings has also observed a reduction in the overdue debtor and total debtor since the last review.

### Exposure to merchant market

The company currently has around 23% of its revised capacity open in the merchant market. With the envisaged increase in the capacity, the same is expected to further upsurge. Also, the PPA with Haryana discom is set to expire in June 2025. Although the company has demonstrated strong merchant collections, stability in cash accruals in long periods of lean power demand is to be seen.

### Liquidity: Strong

The collections from the offtakers have been timely, aiding the company's stable liquidity profile. MBPL had unencumbered cash and cash equivalents of ₹1,206 crore as on July 11, 2024. The average month-end utilisation in the fund-based working capital limit for the last 12 months ended April 30, 2024, was 4%. The company continues to maintain a DSRA of two quarters for its debt servicing.

### Applicable criteria

[Definition of Default](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

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

[Rating Outlook and Rating Watch](#)

[Infrastructure Sector Ratings](#)

[Thermal Power](#)

[Withdrawal Policy](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

MBPL is a subsidiary of Hindustan Thermal Projects Limited (HTPL), which in turn, is a subsidiary of Hindustan Power Projects Private Limited (HPPL) – the flagship entity of the Hindustan Power group. MBPL has set up a 1,250-MW (2 x 650 MW) coal-based sub-critical thermal power plant in Anuppur district, Madhya Pradesh, of which 600 MW (Unit-I) had become operational in May 2015. The synchronisation of Unit II was done in March 2016. The company's management team comprises senior professionals with more than two decades of experience in the power sector.

Brief Financials (₹ crore)*	FY22 (A)	FY23 (A)
Total operating income	3,216.85	3,923.98
PBILDT	1,216.77	1,162.85
PAT	220.42	213.09
Overall gearing (times)	2.57	2.20
Interest coverage (times)	1.94	1.98

A: Audited Note: these are latest available financial results \* Per CARE Ratings' methodology

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**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
Fund-based - LT-Cash credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term loan		-	-	30-04-2034	0.00	Withdrawn
Fund-based - LT-Term loan		-	-	31-03-2028	0.00	Withdrawn
Non-fund-based - LT-Bank guarantee		-	-	-	0.00	Withdrawn
Non-fund-based - LT-Forward contract/derivative limit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	0.00	Withdrawn

## 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	Fund-based - LT-Term loan	LT	-	-	1)CARE A+; Stable (11-Apr-24) 2) CARE A+; Stable (23-Jul-24)	1)CARE A-; Stable (10-Aug-23) 2)CARE BBB+; Stable (06-Apr-23)	1)CARE BBB+; Stable (28-Nov-22)	1)CARE BBB+; Stable (01-Sep-21)
2	Non-fund-based - LT-Bank guarantee	LT	-	-	1)CARE A+; Stable (11-Apr-24) 2) CARE A+; Stable (23-Jul-24)	1)CARE A-; Stable (10-Aug-23) 2)CARE BBB+; Stable (06-Apr-23)	1)CARE BBB+; Stable (28-Nov-22)	1)CARE BBB+; Stable (01-Sep-21)
3	Fund-based - LT-Cash credit	LT	-	-	1)CARE A+; Stable (11-Apr-24) 2) CARE A+; Stable (23-Jul-24)	1)CARE A-; Stable (10-Aug-23) 2)CARE BBB+; Stable (06-Apr-23)	1)CARE BBB+; Stable (28-Nov-22)	1)CARE BBB+; Stable (01-Sep-21)
4	Non-fund-based - ST-Letter of credit	ST	-	-	1)CARE A1 (11-Apr-24) 2) CARE A1 (23-Jul-24)	1)CARE A2+ (10-Aug-23) 2)CARE A2 (06-Apr-23)	1)CARE A2 (28-Nov-22)	1)CARE A2 (01-Sep-21)
5	Non-fund-based - LT-Forward contract/derivative limit	LT	-	-	1)CARE A+; Stable (11-Apr-24) 2) CARE A+; Stable	1)CARE A-; Stable (10-Aug-23)	1)CARE BBB+; Stable (28-Nov-22)	1)CARE BBB+; Stable (01-Sep-21)

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					(23-Jul-24)	2)CARE BBB+; Stable (06-Apr-23)		
6	Fund-based - LT-Term loan	LT	-	-	1)CARE A+; Stable (11-Apr-24) 2) CARE A+; Stable (23-Jul-24)	1)CARE A-; Stable (10-Aug-23) 2)CARE BBB+; Stable (06-Apr-23)	1)CARE BBB+; Stable (28-Nov-22)	1)CARE BBB+; Stable (01-Sep-21)

LT: Long term; ST: Short term;

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

#### Annexure-4: Complexity level of 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	Non-fund-based - LT-Bank guarantee	Simple
4	Non-fund-based - LT-Forward contract/derivative limit	Simple
5	Non-fund-based - ST-Letter of credit	Simple

#### Annexure-5: Lender details

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

**Note on complexity levels of 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 clarifications.

## Contact us

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