Jhabua Power Limited

November 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating	0.00	CARE AA-; Stable	Upgraded from CARE A+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the issuer rating of Jhabua Power Limited (JPL), which is operating a 600-MW thermal power plant, factors in the sustenance of satisfactory operating performance as reflected by plant availability (PA) remaining above normative parameters, healthy plant load factor (PLF) considering robust power demand as a significant portion of the capacity is sold on merchant basis, remunerative tariff with average realisation above ₹5 per unit in FY24 and improvement in liquidity position owing to healthy cash flow generation and non-declaration of dividend in FY24.

In addition, CARE Ratings Limited (CARE Ratings) notes that, the off-taker profile of the company has undergone a change as power purchase agreement (PPA) with Kerala State Electricity Board (KSEB) which was the off-taker for 215-MW capacity has been terminated post the disapproval of PPA from the Kerala State Electricity Regulatory Commission (KSERC). However, the off-take risk has been mitigated to an extent as JPL has entered into a medium-term PPA for 140 MW with Haryana Power Purchase Center (HPPC), through NTPC Vidyut Vyapar Nigam Limited (NVVN; rated 'CARE AAA; Stable / CARE A1+'). This PPA ensures JPL of fixed cost recovery, in case the scheduled energy is lower than 85% of the capacity, provided the company is maintaining PA above normative parameters. The balance 75 MW untied capacity is being sold on exchange, taking the cumulative capacity being sold on exchange to 250 MW. CARE Ratings notes that the balance 210-MW capacity continues to be sold to Madhya Pradesh Discom (180 MW on a cost-plus basis and 30 MW on a variable cost recovery basis).

JPL reported plant availability factor (PAF) of 93% in FY24 (96% in FY23) resulting in full fixed cost recovery for 180 MW capacity tied up on a cost-plus basis, PLF of 68% (71% in FY23) signifying healthy off-take, improvement in realised tariff due to higher sales in merchant market with realisations improving to ₹5.64 per unit in FY24 (₹4.69 per unit in FY23) and improvement in spread by ~40 paise. The higher tariffs and healthy PLF resulted in robust cash flow generation in FY24. However, the company was unable to declare dividends owing to provisioning of past receivables pertaining to KSEB, resulting in book losses. Consequently, the liquidity improved to ₹723 crore as of FY24-end (₹494 crore as of FY23-end). CARE Ratings notes that the company underwent a scheduled maintenance of ~45 days in FY25, which is expected to moderate the availability level in FY25. Nevertheless, the PA is expected to remain around the normative level and PLF is expected to remain around FY24 level per CARE Ratings' base case.

CARE Ratings continues to draw comfort from fuel adequacy through signing of incremental fuel supply agreements (FSAs) under the SHAKTI scheme for meeting the coal requirement under PPAs, and high annual contracted quantity (ACQ) materialisation. The rating is also underpinned by JPL being a joint venture (JV) company of NTPC. Despite NTPC being a 50% shareholder in the asset, CARE Ratings, in its assessment assumes support from NTPC to be forthcoming, given the management control, the asset's strategic and economic importance for NTPC and NTPC management's commitment to meet the funding shortfall at JPL. CARE Ratings also notes that, NTPC in the past has provided operational support through arranging alternative supply of coal, fulfilling requirements pertaining to operations and maintenance (O&M) among others.

However, rating strengths are tempered by counterparty risk emanating from sale of power to state distribution companies (discoms) and exposure of ~42% capacity to volatility in prices prevailing in the merchant market.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Tie-up of balance power generation capacity under medium/long-term PPAs or significant improvement in the credit profile of the off-takers.
- Faster-than-expected deleveraging or improvement in total debt/adjusted profit before interest, lease rentals, depreciation, and taxation (PBILDT) below 1.5x on a sustained basis.

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

Negative factors

- Realisation of merchant power tariff falling below ₹4.0/kWh on a sustained basis and inordinate delays in realisation of dues from the off-takers.
- Deterioration in leverage and coverage metrics on a sustained basis.
- Weakening credit profile of the ultimate parent, NTPC, or changes in linkages/support philosophy between the parent and JPL.

Analytical approach: Standalone, along with notching-up on account of its parent i.e., NTPC.

Outlook: Stable

The stable outlook reflects JPL's steady operational and financial performance backed by its PPAs and FSAs with moderate debt coverage indicators in the medium-term.

Detailed description of key rating drivers

Key strengths

Parentage of NTPC which has extensive expertise in thermal power generation

JPL is a JV company, with NTPC holding 50% equity stake in JPL and Axis Trustee Services Limited (acting on behalf of secured financial creditors) holding the balance 50% stake. NTPC took over 50% stake in JPL through the National Company Law Tribunal (NCLT) route.

NTPC, a Maharatna public sector undertaking (PSU), is the largest power generation company in India (consolidated installed capacity: 76 GW as on September 30, 2024) with significant experience in setting-up and operating coal-based thermal generation assets across India. It has expertise in the entire cycle of conceptualisation to operation of thermal power plants and provides technical and management inputs to JPL. Despite 50% ownership of NTPC, JPL is managed entirely by a professional and experienced management team from NTPC. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of JPL and the key personnel at the plant handling the operations are on deputation from NTPC. Despite NTPC being a 50% shareholder in the asset, CARE Ratings, in its assessment assumes support from NTPC to be forthcoming, given the management control, the asset's strategic and economic importance for NTPC and NTPC management's commitment to meet the funding shortfall at JPL. Hence, CARE Ratings has used a formal parent notch up, factoring NTPC as the parent.

PPAs in place for ~58% of the power generation capacity providing revenue visibility

JPL has tied up 210 MW (35%) of its 600 MW capacity under long-term PPAs with M. P. Power Management Company Limited (MPPMCL; rated 'CARE BBB-; Stable / CARE A3') of which 180 MW (20 years) is under a cost-plus tariff structure and 30 MW (25 years) is under a variable cost PPA, while the rest of its capacity (390 MW) has been tied up with NVVN for the useful life of the plant. Under the arrangement with NVVN, JPL has signed a medium-term PPA of 140 MW (~23%) with HPPC till July 2029 through competitive bidding mechanism at a tariff of ₹5.78/kWh (including trading margin of ₹0.04/kWh payable to NVVNL), while the balance 250-MW capacity is being utilised for sale of power on merchant market. If HPPC fails to schedule power from JPL, JPL will be entitled to receive entire fixed charges of ₹2.89/unit (50% of the agreed tariff) from HPPC. Conversely, if JPL fails to maintain normative PAF to supply power to HPPC, it will be required to pay 25% of the fixed charges amounting to ~₹0.72/unit on the shortfall units per actual PAF against normative PAF.

Earlier, JPL had PPAs of 215-MW capacity with KSEBL under the Case-1 competitive bidding for 25 years. However, the said PPAs have been terminated in June 2023. Availability of PPAs for ~58% of the power capacity provides revenue visibility.

FSAs in place for meeting fuel requirements under long-term PPAs

The total coal requirement of JPL for operating the plant at 85% PLF is ~2.70 million metric tonne per annum (MMTPA), against which JPL has tied up 2.38 MMTPA of coal supply under FSAs. JPL meets the coal requirement for its PPA with MPPMCL through long-term FSAs with ~0.8 MMTPA of coal from South Eastern Coalfields Limited (SECL) and ~0.2 MMTPA from Northern Coalfields Limited (NCL).

Coal supply for the PPA with HPPC (140 MW) is met through FSA of 0.7 MMTPA signed with Central Coalfields Limited (CCL) under the Shakti B(iii) scheme, which is valid till the end of PPA duration. JPL has signed a similar FSA of ~0.1 MMTPA with SECL under the Shakti B(iii) scheme, using which ~25 MW of power can be supplied to an off-taker yet to be signed by the company. JPL has also signed short-term FSA of ~0.6 MMTPA under Shakti B(viii)(a) for sale of power to merchant market, while it relies on domestic e-auctions for its balance fuel requirement.

ACQ materialisation under long-term FSAs has been 100% for the last two years ended FY24. Availability of long-term FSAs mitigates fuel supply and fuel price risk for JPL. Being a JV of NTPC, CARE Ratings expects JPL to receive coal from alternative sources, if required.

Stable operational performance

JPL reported PAF of 93% in FY24 (96% in FY23) resulting in full fixed cost recovery for 180-MW capacity tied up on a cost-plus basis, PLF of 68% (71% in FY23) signifying healthy off-take, improvement in realised tariff due to higher sales in merchant market with realisations improving to ₹5.64 per unit in FY24 (₹4.69 per unit in FY23) and improvement in spread by ~40 paise. The higher tariffs and healthy PLF, resulted in robust cash flow generation in FY24. However, the company was unable to declare dividend owing to provisioning of past receivables pertaining to KSEB, resulting in book losses. Consequently, the liquidity improved to ₹723 crore as of FY24-end (₹494 crore as of FY23-end). CARE Ratings notes that the company underwent a scheduled maintenance of ~40 days in FY25, which is expected to moderate the availability level in FY25. Nevertheless, the PA is expected to remain around the normative level and PLF is expected to remain around FY24 level per CARE Ratings' base case.

Moderate financial risk profile

JPL's total operating income (TOI) marginally increased from ₹1,646 crore in FY23 to ₹1,909 crore in FY24. The improvement in TOI is mainly attributable to better realisations by the company in the merchant market due to high power demand in the country. JPL's leverage and debt coverage indicators remained moderately comfortable in FY24. Its overall gearing stood at 0.27x at FY24-end (FY23: 0.28x), whereas its total debt/PBILDT stood at 15.03x in FY24 (FY23: 2.95x), elevated primarily considering reduction in PBILDT due to one-time provisioning of doubtful debts.

The company's overall collection period has significantly decreased to 92 days in FY24 (FY23: 153 days) due to provisioning of ₹373 crore, primarily pertaining to KSEB's two PPAs with JPL (for 115-MW and 100-MW capacity) apart from MPPMCL and PTC, leading to reduction outstanding receivables from ~₹708 crore at FY23-end to ₹~264 crore at FY24-end. Considering the uncertainty regarding the past tariff realisation from the PPAs, the entire outstanding amount from KSEB has been provisioned as doubtful debts in FY24, reducing the overall receivables due to JPL.

Key weaknesses

Counterparty risk emanating for sale of power to weak state discoms

Through its long-term PPAs of 210 MW with MPPMCL, JPL has exposure to the state discoms of Madhya Pradesh, which are rated between A and B- per Ministry of Power's (MoP's) latest annual integrated rating. MPPMCL is the holding company of power distribution companies for the state of Madhya Pradesh. MPPMCL has a weak financial risk profile, with sustained net losses, high gearing levels, and significantly stretched payables days. The discoms under MPPMCL have been reporting high aggregate technical & commercial (AT&C) losses and average cost of supply and average realisable revenue (ACS-ARR) gap. However, MPPMCL has opted to clear its entire outstanding dues as on June 03, 2022, in 40 equal instalments under the Ministry of Power's late payment surcharge (LPS) scheme. Also, MPPMCL has established a revolving letter of credit (LC) equivalent to one week's billing as payment security mechanism in favour of JPL.

JPL, through NVVNL, has signed a medium-term PPA of 140.00 MW with HPPC, which procures power on behalf of Haryana discoms having strong financial risk profile. Per MoP's latest annual integrated rating, Haryana discoms are rated A+ (in line with top discoms like GUVNL). Also, the counterparty risk associated with Haryana discom is mitigated through the presence of NVVNL. Consequently, timely realisation of receivables by JPL from its counterparties would be a key rating monitorable.

Exposure to off-take and realisation risk due to untied capacity; albeit mitigated by high merchant realisation

Out of total power generation capacity (600 MW) of JPL, 35% capacity has been tied-up under long-term PPAs with MPPMCL. JPL has allotted the balance 390 MW of capacity to NVVNL, out of which 140 MW (~23%) was signed with HPPC under a medium term PPA valid till July 2029. The remaining untied capacity of 250 MW, although allotted to NVVNL, remains untied at present, which exposes JPL to demand and price volatility in the merchant power market.

Merchant power tariffs are a function of multiple variables including availability of fuel, fuel cost, generation cost from alternative sources, demand-supply situation, and average PLF of the power plants. However, JPL has achieved healthy realisations to the tune of ₹5.2/kWh and ₹7.4/kWh in FY23 and FY24, respectively, in the merchant power market due to high power demand in the country, which has led to an improvement in its operational and financial performance.

Liquidity: Strong

JPL has debt repayment obligation of ₹100 crore each year against which JPL's liquidity profile is adequate as indicated by sufficient cash balance of ~₹990 crore as on June 2024 end (FY24: ₹~723 crore, FY23: ₹~494 crore). JPL has created debt service reserve account (DSRA) balance of ₹105 crore at FY24-end in the form of FD, which is in line with the stipulated DSRA of 10% of outstanding non-convertible debenture (NCD) debt. The DSRA amount is evaluated and reduced proportionately at the end of every financial year.

JPL's working capital cycle is higher due to requirement of upfront payment for sourcing of domestic coal and weak credit profile of its counterparties leading to payment delays. However, after one-time provisioning of dues pertaining to KSEB, Jhabua's receivables have reduced in tandem with working capital cycle. JPL has maintenance capex requirement of ~₹200 crore over the next three years, which is proposed to be funded through internal accruals.

Applicable criteria

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

About the company and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power generation

JPL is a JV of NTPC, with NTPC holding 50% stake and balance stake being held by Axis Trustee Services Limited (acting on behalf of the secured financial creditors). JPL is engaged into coal-based thermal power generation. JPL has an operational thermal power generation capacity of 600 MW and an under-construction capacity of 660 MW at Seoni District in Madhya Pradesh. The 600-MW thermal power plant of JPL declared commercial operations date (COD) on May 03, 2016.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	1,646	1,909	574
PBILDT	390	70	183
PAT	3,446	(111)	135
Overall gearing (times)	0.28	0.27	NA
Interest coverage (times)	6.63	0.73	8.24

A: Audited; UA: Unaudited; NA: Not available; Brief financials have been adjusted per CARE Ratings' criteria

Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

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

Complexity level of instruments/facilities rated: Annexure-4

Lender details: 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
Issuer rating-Issuer ratings	-	-	-	-	0.00	CARE AA-; Stable

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	Issuer rating-Issuer ratings	LT	0.00	CARE AA-; Stable	-	1)CARE A+; Stable (08-Aug-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Not applicable

Annexure-4: Complexity level of instruments rated

Not applicable

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

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754-3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754-3404 E-mail: saikat.roy@careedge.in	Sabyasachi Majumdar Senior Director **CARE Ratings Limited** Phone: +91-120-445 2006 E-mail: Sabyasachi.majumdar@careedge.in Jatin Arya Director **CARE Ratings Limited** Phone: +91-120-4452021 E-mail: Jatin.Arya@careedge.in Mayuresh Karavade Assistant Director **CARE Ratings Limited** Phone: +91-120-4452036 E-mail: mayuresh.karavade@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in