

## Korba Power Limited

January 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	1,800.00	CARE AA-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of Korba Power Limited (KPL) (erstwhile known as Lanco Amarkantak Power Limited) which is operating a 600 MW thermal power plant and developing another 1320 MW thermal capacity factors in the strong parentage, considering KPL being a wholly owned subsidiary of Adani Power Limited (APL) (rated CARE AA; Stable/CARE A1+). APL acquired KPL on September 06, 2024, through the Corporate Insolvency Resolution Process. APL's resolution plan valuing KPL at an enterprise value of ₹4,101 crore was approved by National Company Law Tribunal (NCLT) on August 21, 2024. The acquisition has been funded through a mix of promoter contribution (₹601 crore), debt (₹1800 crore) and available cash (₹1700 crore) on KPL's books. CARE Ratings Limited (CARE Ratings) expects support from APL to be forthcoming, given the strategic and economic importance of this asset. APL's stated posture towards this asset is also reflected by the presence of a sponsor undertaking to fund cost overrun for the construction of 1320 MW capacity.

The rating is supported by long term revenue visibility due to the presence of 25 year power purchase agreements (PPAs) with PTC India Limited which has signed back to back power sale agreements (PSAs) with three distribution utilities including Madhya Pradesh Power Management Co. Ltd. (MPPMCL) for 300 MW, Haryana Power Generation Corporation Limited (HPGCL) for 285 MW and Chhattisgarh State Power Trading Co. Ltd. (CSPTCL) for 15 MW (on gross basis). The PPAs with MPPMCL and HPGCL are governed by Section 62 of Electricity Act, 2003 (cost plus basis PPAs), while the PPA with Chhattisgarh is on variable charge basis. The fuel availability risk for this capacity is mitigated due to the presence of long-term fuel supply agreements (FSAs) of ~2.8 metric tonne per annum (MTPA) with South Eastern Coalfields Limited (SECL). The rating factors in extensive operational track record of 600 MW capacity, which has been in operation for over 12 years. The operational performance has remained steady as reflected by availability being higher than normative parameters leading to recovery of the entire capacity charge and healthy generation profile as reflected by PLF of ~73% in FY24 and ~73% in H1FY25. Payments from the discoms including the recovery of past dues from MPPMCL in the form of EMIs has been timely, supporting the company's liquidity profile. As on December 31, 2024, the company has received 30 of the 40 instalments.

However, the rating is tempered due to the execution risk associated with 1,320 MW Phase II expansion project. As articulated by the management, ~70% work pertaining to this phase has been completed. KPL is under active discussion with vendors and is currently seeking approval for resumption of the construction activity. CARE Ratings notes no further external debt would be raised for the project's financing and the entire capital expenditure (capex) will be funded by mix of internal accruals from Phase I and unsecured loans from APL. The rating factors in exposure to regulatory risk associated with PPA signed with HPGCL which is sub-judice at the Honourable Supreme Court. Negative outcome on the matter would remain a key rating sensitivity. Rating is also constrained due to counterparty credit risk as off-takers have a weak credit profile. Lack of long term PPA for 1320 MW Phase II exposes the company to demand and price risk.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in APL's credit profile.
- Successful commissioning of Phase – II without time and/or cost overrun.
- Faster than expected deleveraging resulting in improvement in the financial risk profile.

#### Negative factors

- Weakening of the credit profile of the parent, APL or change in linkage/support philosophy between the parent and the entity.
- Weakening of operational parameters or delay in payment from counterparties adversely impacting cash flows on a sustained basis.
- Significant delay in COD of the under-construction Phase II project culminating to a total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) remaining above 5x on a sustained basis.

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

**Analytical approach:** Standalone, and notching-up considering its parent, APL

**Outlook:** Stable

The stable outlook on the CARE AA- rating of KPL reflects CARE Ratings' opinion that the company would benefit from its long term PPA for Phase 1. Also, expectations of satisfactory generation and collection performance supports the outlook. CARE Ratings expects Phase II to be commissioned per the envisaged timelines.

### **Detailed description of key rating drivers:**

#### **Key Strengths**

##### **Parentage of APL which has extensive experience in power generation**

KPL is a wholly owned subsidiary of APL which has an operational capacity of 17.55 GW as on September 30, 2024. It is the largest private thermal power generator in the country. The company has aggressive capital expenditure plans considering the stated goal of increasing its operational capacity to 30 GW through organic/inorganic mode in the next 6-7 years.

It has expertise in the entire cycle of conceptualisation to operation of thermal power plants and provides technical and management inputs to KPL. KPL is managed entirely by a professional and experienced management team from APL. Post commissioning of Phase II, KPL would account for ~9% operational capacity. Hence, the investment remains crucial from APL's perspective.

##### **Entire capacity for Phase – I tied up with LT PPAs from different state discoms**

KPL entered long term PPAs for 25 years with PTC India which has Power sale agreement with MPPMCL and HPGCL for 300 MW and 285 MW (gross capacity), respectively. The PPAs are valid till December 2037 and May 2036 for MPPMCL and HPGCL, respectively. The PPAs are governed by Section 62 of Electricity Act, 2003 (cost plus basis PPAs) allowing full recovery of capacity charge on achievement of normative parameters and pass through of variation in fuel cost. Also, the company has a PPA with CSPTCL for five percent capacity from 300 MW Unit II of Phase I on variable tariff. This is valid till the plant's life.

##### **Fuel risk mitigated through presence of FSAs with SECL**

KPL's total coal requirement for operating the plant at 80% PLF is ~2.69 million metric tonne per annum (MMTPA) for Phase – I against which KPL has tied up linkage available for 2.78 MMTPA with SECL, largely mitigating fuel risk. ACQ materialisation for the last three years have remained above 98%. Shortfall coal can be easily met through E auction/Open Market sources/commercial mines. Cost plus nature of PPA and healthy materialisation of coal under FSA is a positive for the company.

KPL also has 100% domestic coal FSA for expansion project, which is 2.49 MMTPA and 2.74 MMTPA for Unit-3 and Unit-4, respectively, which can be utilised for supplying power under a long / medium term PPA. The FSA can be operationalised post signing of long term/medium term PPAs.

##### **Steady operational performance in last three years**

KPL reported PAF of 89% in FY24 (96% in FY23 and 88% in FY22) resulting in full fixed cost recovery for 585-MW capacity tied up on a cost-plus basis. PLF of 73% in FY24 (62% in FY23 and 77% in FY22) demonstrates healthy operational performance. CARE Ratings notes the company underwent a scheduled maintenance of ~50 days in FY25, which is expected to moderate the availability level in FY25. Nevertheless, the PAF is expected to remain around the normative level and PLF is expected to remain around FY24 level per CARE Ratings' base case. The H1FY25 PAF and PLF stood at 76% and 73%, respectively.

##### **Moderate financial risk profile**

The company's cash accruals remained stable owing to above-normative PAF ensuring fixed cost recovery under contracted capacity and PLF aided by healthy power demand. Payments from discoms have been timely. The company has availed term loan of ₹1,800 crore leading to moderate debt coverage indicators in the medium term.

Per management articulation, no further external debt is to be raised at KPL level and the entire capex for Phase II to be funded through unsecured loan from APL and internal accruals. Post commissioning of Phase-II, CARE Ratings expects steady cash flows considering lower variable cost leading to improvement in coverage metrics.

#### **Key Weaknesses**

##### **Under-implementation risk for Phase – II Project**

KPL is in the process of construction of a 1,320 MW Phase II power project. Per management, ~70% physical work has been completed. The company estimates commissioning of units in phases – December 2026 for Unit III and June 2027 for Unit IV. The total projected cost to be borne for the pending capex stands at ₹3,255 crore.

Timely commissioning without cost and/or time overrun remains a critical rating sensitivity. Per CARE Ratings, higher-than envisaged delay could impair the company's financial profile. However, the risk is partially mitigated given APL's long track record in commissioning of projects within set timelines.

#### **Sub-Judice PPA with HPGCL**

KPL entered PPA with HPGCL based on HPERC norms subject to a ceiling of levelized capped tariff of ₹ 2.32/kWh. However, the tariff capping has been contested by the company at different forums and currently the matter is pending with the Supreme Court. An intervening arrangement allows full recovery of fixed and variable cost per interim order by APTEL. Negative outcome on the PPA would result in an event risk and will remain a key rating monitorable.

#### **Counterparty risk emanating from sale to weak state discoms**

Through its long-term PPAs of 300 MW with MPPMCL, KPL 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 Madhya Pradesh. MPPMCL has a weak financial risk profile, with sustained net losses, high gearing levels, and significantly stretched payables days. Discoms under MPPMCL have been reporting high aggregate technical and 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. KPL has received 30 of the 40 instalments as on January 2025. Also, MPPMCL has established a revolving letter of credit (LC) equivalent to one month's billing as payment security mechanism (PSM) in favour of KPL.

KPL, through PTC, has signed a long-term PPA of 285 MW with HGPC discom having strong financial risk profile. Per MoP's latest annual integrated rating, Haryana discom is rated A+ (in line with top discoms like GUVNL). Discoms have provided a revolving LC equivalent to one month's billing as PSM. Consequently, timely realisation of receivables by KPL from its counterparties would be a key rating monitorable.

#### **Liquidity: Adequate**

The company's liquidity is supported by strong cash accruals given generation track record of over 12 years for Phase I. The company has also been receiving timely payment from the off-takers. Also, the sanction stipulates creation of one quarter of DSRA providing additional comfort. This is to be created within one-year from the date of disbursement i.e. by September 2025. Presently, company is meeting entire working capital requirement through internal sources only. As on November 30, 2024, the company has cash and cash equivalents amounting to ₹148 crore. Also being a 100% subsidiary of APL which has a strong cash surplus aids the company's overall liquidity profile.

#### **Applicable criteria**

[Policy on Default Recognition](#)

[Notching by Factoring Linkages in Ratings](#)

[Financial Ratios – Non financial Sector](#)

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

[Policy On Curing Period](#)

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Thermal Power](#)

[Infrastructure Sector Ratings](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

Korba Power Limited (KPL, erstwhile Lanco Amarkantak) is a 100% subsidiary of Adani Power Limited (APL). The company operates a 600 MW coal based thermal power plant in Korba, Chhattisgarh and has an under-construction capacity of 1,320 MW. The project was commissioned in May 2011. The plant has signed long term PPAs of 25 years with PTC which has signed PSAs with MPPMCL, HPGCL and CSPDCL.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1,160	1,186	524
PBILDT	-162	-94	32
PAT	-3,882	-3,984	-1,720
Overall gearing (times)	-1.1	-0.8	NA
Interest coverage (times)	-0.1	0.0	0.0

A: Audited UA: Unaudited; NA: Not available; 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 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 and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	30-09-2036	1800.00	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	Fund-based - LT-Term Loan	LT	1800.00	CARE AA-; Stable	-	-	-	-

LT: Long 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	Fund-based - LT-Term Loan	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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