

## Sasan Power Limited (Revised)

January 03, 2025

| Facilities/Instruments                 | Amount (₹ crore) | Rating <sup>1</sup>       | Rating Action                             |
|--|------------------|---------------------------|---|
| Long Term Bank Facilities              | 10,562.00        | CARE BB; Stable           | Reaffirmed; Outlook revised from Negative |
| Long Term / Short Term Bank Facilities | 376.00           | CARE BB; Stable / CARE A4 | Reaffirmed; Outlook revised from Negative |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings has reaffirmed the ratings on the bank facilities of Sasan Power Limited (SPL) and revised the outlook on the long-term rating to Stable. The reaffirmation in rating factors in timely servicing of the bullet repayment of USD 150 million which was due on December 31, 2024. SPL mobilised the required funds through inter corporate deposits from Reliance Power Limited. These inter corporate deposits would remain subordinated to the outstanding external borrowings of SPL.

The ratings continue to be constrained by the low tariff of the project (Rs 1.19 per unit on levelized basis at time of award) which results in moderate debt coverage indicators. The ratings also factor in uncertainty over compensatory tariff implementation towards change in the law. Ratings are sensitive to the counterparty credit risk emanating from the sale of power to financially weaker power distribution companies (discoms) as evident from delay in payments in the past although given the high merit order position and low tariff of the project, this risk is mitigated the risk to a great extent. The elevated interest rate, exposure to foreign exchange risk owing to part funding of project cost via foreign currency borrowing, and uncertainty over financing of flue-gas desulfurisation (FGD) capital expenditure (capex) continues to constrain the rating strengths. The absence of required level of debt service reserve account (DSRA) and limited cushion available in the form of undrawn fund-based working capital (WC) limits negatively impacts the company's liquidity profile.

However, the ratings continue to derive comfort from presence of long-term power purchase agreement (PPA) for 25 years from commercial operations date (COD) mitigating demand risk to a large extent. The company's operational performance has been satisfactory as evident from plant availability factor (PAF) and plant load factor (PLF) above 90% in the last five years except FY23 leading to full recovery of capacity charge and the plant operating at optimum levels. The healthy trend continued in Q1FY25 (refers to April 01 to June 30). The presence of captive mines associated with the project leads to low fuel cost and superior merit order position as evident from healthy PLFs reported in the past.

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

#### Positive factors

- Significant reduction in interest cost leading to improvement in coverage metrics along with maintenance of DSRA cover.
- Favourable regulatory order resulting in improvement in cashflow from operations of the company

#### Negative factors

- Deterioration in credit profile of off-taker and elongation of average collection period, adversely impacting the liquidity profile.
- Significantly lower-than- envisaged generation levels or increase in operating cost adversely impacting debt coverage metrics

**Analytical approach:** Standalone

**Outlook:** Stable

Revision in the outlook of company from 'Negative' to 'Stable' factors in the extinguishing of refinancing risk. The Stable outlook is supported by the presence of long term PPA for entire capacity, availability of captive mine associated with the project and high position in merit order list.

### Detailed description of key rating drivers:

<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.

## Key weaknesses

### High counter party risk amidst weak credit profiles of off-takers

Majority of SPL's off-takers continue to have weak credit profile. The competitive tariff amidst strong power demand and high merchant tariff and the option available with SPL to sell power to non-defaulting procurers in case of defaulting payment by off-taker incentivises prompt payment.

Bills raised to MP Power Management Company Limited (MPPMCL), which is the largest off-taker (accounting for 37.5% of total capacity tied), continue to have stretched payment.

### Uncertainty over timelines for approval of change in law

While there are numerous regulatory matters pending at various forums, progress in the resolution of these matters has been limited. Apart from other regulatory matters, per the management, the appeal for unprecedented depreciation in rupee has significant positive potential in case of favourable verdict and hence shall be a rating monitorable.

### Pending financial closure for FGD capex

SPL is required to incur capex related to FGD at ~₹0.60 crore per MW in the medium term. While the funding fix has been planned, debt tie up is still pending. Central Electricity Regulatory Commission (CERC) has already given in-principal approval on hard cost of FGD capex recognising implementation of FGD as a change in law event excluding taxes, other soft costs, and interest during construction (IDC). While the cost incurred is expected to be a pass-through under the tariff, the company will remain exposed to funding and execution risks for the timely completion of this capex within the budgeted cost. Limited surplus cash accrual may impact equity contribution for FGD and will be a key monitorable. CARE Ratings notes that MoEF vide its notification dated December 30, 2024, has extended the timeline for FGD implementation by 3 Years i.e. upto December 31, 2029.

### Unpaid statutory dues liabilities

There has been a sizeable build-up of unpaid statutory dues. As on March 31, 2024, this amount stood at ₹1,398 crore (PY: ₹1,005 crore). These dues pertain majorly to Madhya Pradesh (MP). Of the unpaid statutory dues, MP state government provided in-principal approval to deferment of payment of some statutory dues, pertaining to royalty on coal, electricity duty, energy development cess, forest transit fee, and contribution to district mineral foundation (DMF). The company plans to settle the balance amount from receivables overdue from MPPMCL.

### Unhedged limits of foreign currency loan and interest rate risk

SPL has ~US\$ 169 million loan under external commercial borrowing (ECB) facility as on June 30, 2024 (excluding the bullet repayment of US\$ 150 million, which has already been paid on 31<sup>st</sup> December 2024). This has exposed the company to foreign exchange rate risks. However, the company has a hedging policy allowing partial hedge for foreign-denominated debt borrowings, mitigating adverse impact of foreign currency fluctuation to some extent.

Owing to the leveraged capital structure and largely pre-determined tariff in PPA, profitability remains exposed to increase in the interest rates, given the floating interest rates for loan.

### Weak coverage metrics

Although generation has improved in FY24 and Q1FY25, higher interest costs and debt repayments continue to adversely impact the free cash flows. The projected debt service coverage ratio (DSCR) remains marginal in FY26 and is expected to improve once the foreign currency loans are repaid.

## Key strengths

### Healthy operating performance

The company has track record of over 10 years of operating the 3,960-MW super critical thermal power project and captive coal mines. The company's operational performance remained healthy and above normative levels. In FY24, PLF was 93.52% (PY: 85.80%) and PAF of 92.45% (PY: 84.70%). PAF and PLF moderated in FY23 owing to the outage of one unit due to transformer failure, which was rectified by the company in FY24. For Q1FY25, the company's PLF is further improved to 97.14%.

### Tie-up of power sale arrangement (long-term PPA) on competitive basis, resulting in low off-take risk

Currently, SPL has its entire capacity tied up under long-term PPAs with 14 power distribution companies across seven different states for 25 years from COD of the last unit, which mitigates off-take risk. SPL's tariff is competitive as evident from levelised tariff of ₹1.19 per unit at time of bidding and stands superior position in merit order enabling high volumes of scheduled power off-take.

### Adequate coal availability with operational coal mine

The project originally was allotted three captive coal mine blocks, Moher, Moher Amlohri Extension, and Chhatrasal, with estimated coal reserves of ~700 MT. Chhatrasal coal mine was de-allocated by Ministry of Coal, Government of India (GoI), in May 2015. At envisaged PLF, the annual coal requirement is ~18-19 MT. Per management, captive coal dispatch to the plant has been at satisfactory level in FY24 and Q1FY25.

### Liquidity: Stretched

SPL's liquidity profile is strained, characterised by tightly matched projected gross cash accruals (GCA) against its scheduled debt repayments. This strain is exacerbated by partial creation of the stipulated DSRA, and high utilisation of working capital limits. Despite these issues, timely payments from off-takers (excluding MP discoms) provide some relief. As on December 19, 2024, the company had moderate free cash and cash equivalents of ₹41 crore, with an additional ₹206 crore in restricted cash (including DSRA balance of Rs 85 crore), further the working capital limit utilisation for the trailing 12 months ended June 2024 was high at 93%.

### Applicable criteria

[Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

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

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

[Short Term Instruments](#)

[Infrastructure Sector Ratings](#)

[Thermal Power](#)

### About the company and industry

#### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry   |
|-------------------------|--------|----------|------------------|
| Utilities               | Power  | Power    | Power Generation |

SPL, a wholly owned subsidiary of R-Power, incorporated for developing a captive coal-based project with a capacity of (6x660 MW) 3.96 GW based on super critical technology with four transmission lines of 765 kV and four lines of 400 kV at Sasan, Singrauli District, in MP. The project was won by Reliance Energy Limited (which was subsequently transferred to Reliance Power Limited) through competitive bidding (Case II). The power plant has six units of 660 MW each based on super-critical technology. The project's levelised tariff for PPA of 25 years is at ₹1.19/kWh. The project COD was achieved in March 2015.

| Brief Financials (₹ crore) | FY23 (A) | FY 24 (A) | Q1 FY25 (UA) |
|----------------------------|----------|-----------|--------------|
| Total operating income     | 4,270.37 | 4,591.68  | NA           |
| PBILDT                     | 3,012.95 | 3,181.86  | NA           |
| PAT                        | 15.36    | -178.32   | NA           |
| Overall gearing (times)    | 1.44     | 1.34      | NA           |
| Interest coverage (times)  | 2.27     | 2.17      | NA           |

A: Audited UA: Unaudited; NA: Not available; Note: 'these are latest available financial results' analytically adjusted under CARE Ratings' Methodology

**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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Term Loan                             |      | -                             | -               | March 2036                 | 9684.00*                    | CARE BB; Stable                    |
| Fund-based - LT-Working Capital Limits                |      | -                             | -               | -                          | 567.00                      | CARE BB; Stable                    |
| Non-fund-based - LT-Forward contract/derivative limit |      | -                             | -               | -                          | 311.00                      | CARE BB; Stable                    |
| Non-fund-based-LT/ST                                  |      | -                             | -               | -                          | 376.00                      | CARE BB; Stable / CARE A4          |

\*Outstanding as on June 30, 2024

**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              | 9684.00                      | CARE BB; Stable   | 1)CARE BB; Negative (07-Aug-24)<br>1)CARE BB; Negative (14-Mar-24) | 2)CARE BB+; Negative (07-Apr-23)<br>1)CARE BB; Negative (14-Mar-24) | 1)CARE BB+; Stable (31-May-22)              | 1)CARE BB+; Negative (06-Apr-21)            |
| 2       | Fund-based - LT-Working Capital Limits | LT              | 567.00                       | CARE BB; Stable   | 1)CARE BB; Negative (07-Aug-24)                                    | 2)CARE BB+; Negative (07-Apr-23)<br>1)CARE BB; Negative (14-Mar-24) | 1)CARE BB+; Stable (31-May-22)              | 1)CARE BB+; Negative (06-Apr-21)            |
| 3       | Non-fund-based-LT/ST                   | LT/ST           | 376.00                       | CARE BB; Stable / | 1)CARE BB; Negative / CARE A4                                      | 1)CARE BB; Negative / CARE A4                                       | 1)CARE BB+; Stable / CARE A4                | 1)CARE BB+; Negative / CARE A4              |

| 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 |
|         |   |                 |                              | CARE A4         | (07-Aug-24)                                 | (14-Mar-24)<br><br>2)CARE BB+; Negative / CARE A4 (07-Apr-23)       | (31-May-22)                                 | (06-Apr-21)                                 |
| 4       | Non-fund-based - LT-Forward contract/derivative limit | LT              | 311.00                       | CARE BB; Stable | 1)CARE BB; Negative (07-Aug-24)             | 1)CARE BB; Negative (14-Mar-24)<br>2)CARE BB+; Negative (07-Apr-23) | 1)CARE BB+; Stable (31-May-22)              | 1)CARE BB+; Negative (06-Apr-21)            |

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

| Sr. No. | Name of the Instrument                                | Complexity Level |
|---------|---|------------------|
| 1       | Fund-based - LT-Term Loan                             | Simple           |
| 2       | Fund-based - LT-Working Capital Limits                | Simple           |
| 3       | Non-fund-based - LT-Forward contract/derivative limit | Simple           |
| 4       | Non-fund-based-LT/ST                                  | 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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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### About us:

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