

Dhariwal Infrastructure Limited

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2,241.54	CARE A-; Stable	Reaffirmed
Short Term Bank Facilities	75.00	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings on bank facilities of Dhariwal Infrastructure Limited (DIL) factors in the presence of long term/medium term power purchase agreements (PPAs) at remunerative tariffs which provides revenue visibility. The long term Fuel Supply Agreements (FSA) with South Eastern Coal Fields (SECL) for 2.73 MPTA for entire capacity mitigates fuel availability and price risk to a large extent. The FSA is operationalized to the extent of long term/medium term PPAs. Ratings also consider healthy operational performance marked by robust plant availability factor (PAF) of above 85% leading to full recovery of fixed charges and healthy plant load factor (PLF) of 82% in FY24 (PY: 80%) and 92% in H1 FY25. The financial profile of the company has improved over the last three years post signing of PPA with Indian Railways for 3 years starting April 2022 and buoyancy in tariff realisations from the merchant segment. Ratings also favourably factor the reduction in overall debtors and visibility of realization of outstanding dues from Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), which opted to clear its dues by implementing Electricity (Late Payment Surcharge & Related Matters) Rules, 2022. Ratings continue to draw strength from DIL's financial flexibility as part of the CESC group, which has vast business experience in the power sector, having professional and highly qualified management team and has demonstrated financial support to DIL in the past through infusion of interest free unsecured loans.

However, ratings are constrained by offtake and price risk associated with 70 MW capacity (12% of total installed capacity) which is selling via merchant route and PPA renewal risks associated with 210 MW Indian Railways PPA (expiry in March 2025) and 100 MW TANGEDCO PPA (expiry in September 2028). While the financial profile of offtakers Indian Railway and Noida Power Company Limited (NPCL) are strong, the company is exposed to counterparty credit risk associated with exposure to TANGEDCO which has a weak financial profile. Ratings are further constrained by regulatory risk arising due to ongoing case challenging PPA of DIL with NPCL in Honorable Supreme Court.

While the current leverage levels have improved as reflected by Total Debt/EBIDTA of 3.3x for FY24 as against the positive trigger of 3.6x, the debt level is expected to increase on account of proposed increase in debt by ~Rs. 800 crore in the near term which will lead to moderation in leverage and debt coverage indicators. However the leverage as reflected by Total Debt/EBIDTA is expected to remain around 4.5x as against the negative trigger of 5.3x.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in credit risk profile of its off-takers, primarily TANGEDCO
- Improvement in Total debt/EBITDA to below 3.6x on a sustained basis

Negative factors

- Sustained delay in realization of outstanding dues from offtakers adversely impacting the liquidity profile of company
- Moderation in Total Debt/EBITDA to beyond 5.3x on a sustained basis
- Material reduction in CESC's shareholding in DIL or reduction in managerial and operational support to the company
- Any unfavorable order from Honorable Supreme Court with respect to PPA with NPCL

Analytical approach: Standalone plus factoring in parent support

CARE Ratings has notched up the rating, factoring operational, financial and managerial support extended by the promoter, CESC Limited.

Outlook: Stable

The stable outlook on ratings of DIL factors in presence of long term/medium term PPAs for majority capacity, satisfactory operational performance in line with past trends, healthy realization from merchant sales and timely payment from counterparties.

Detailed description of key rating drivers

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

Key strengths

Presence of long term/medium term PPA provides revenue visibility

The company has signed 25 year PPA with Noida Power for 187 MW on cost plus basis, 15 year PPA with TANGEDCO for 100 MW till September 2028 and 3 year PPA with Indian Railways for 210 MW till March 2025 which provides revenue visibility. The PPAs are signed at remunerative tariff. Ability of the company to renew PPAs at attractive tariffs shall remain a key credit monitorable.

Sustained healthy operational performance

DIL's operational performance has been satisfactory in FY24 and in H1FY25 as characterised by higher than normative PAF leading to full recovery of capacity charges PLF also stood healthy at 82% in FY24 (PY: 80%) and 92% in H1FY25. Moreover, auxiliary consumption improved to 7.71% in FY23 and 7.38% in FY24.

Fuel supply and price volatility risk for capacity untied in long-term PPA

DIL has fuel supply agreement (FSA) with South Eastern Coal Fields (SECL) for supply of 2.73 MMTPA of coal which is sufficient to meet the requirements of both Units. DIL is able to draw coal under FSA to the extent of long term/medium term PPAs with NPCL, TANGEDCO and Indian Railways, thereby mitigating fuel supply risk to a large extent. However, DIL remains exposed for fuel supply risk for capacity not tied up. DIL is also exposed to price volatility risk for the capacity not tied up under cost plus basis, although it is partly mitigated through escalation clause per the PPA.

Improving financial risk profile

The company's gross cash accrual (GCA) post signing of PPA with Indian Railways starting April 2022 and healthy realization from sales on merchant basis which lead to reduction in debt levels, resulting in improved leverage and coverage indicators. The average short-term realization stood at ₹6.89 per Unit in FY24 (PY: ₹8.01 per Unit), while in H1FY25, the same stood at ₹7.06 per Unit. TD/PBILDT improved to 3.24x as on March 31, 2024 (PY: 4.01x).

However, the company may avail term loan of ~Rs 800crore in near term which will lead to moderation in debt coverage indicators with Total Debt/EBIDTA to around 4.5x times by end of FY25.

Part of an established group with extensive experience in power distribution and generation; deriving strong operational, managerial and financial support

Entire stake in DIL is held by CESC Limited. CESC is vertically integrated power utility with several decades of experience. DIL enjoys operational, financial, and managerial support from its promoter group. The promoter group has a highly qualified and experienced employee pool having large experience in their related field. DIL also has adequate board representation from the promoter and shares a common treasury team. DIL has received significant fund support from CESC and Haldia Energy Limited for funding its scheduled debt repayment obligations and prepayments of debt in view of significant cash losses over the past years. The support received is interest free and stood at ₹740 crore as on March 31, 2024.

Key weaknesses

PPA renewal risk and merchant risk associated with untied capacity

The tied-up capacity under Unit-II is under a long-term PPA with NPCL for 25 years from COD and TANGEDCO till September 2028, while the capacity tied up under Unit-I is under medium term PPA with Indian Railways till March 2025, exposing DIL to PPA renewal risk. Further, DIL sells the power generated from the untied capacity under merchant basis, which exposes it to risks related to price and volumes of the merchant market. Although realization under merchant market have been healthy for DIL in recent past, sustained healthy realizations under the same will be a key monitorable.

Counterparty credit risk associated with sale of power to DISCOM

The sale of power under the long-term PPA with TANGEDCO, exposes DIL to counterparty credit risk due to weak credit profile of the state utility as evident from delay in payments in the past. However, per the management, TANGEDCO has opted to clear entire dues under the EMI scheme by Ministry of Power in 48 equal instalments and DIL has received 29 instalments so far. Due to this, debtors of DIL from TANGEDCO stood at ₹175 crore as on March 31, 2024. Timely payment from counter parties including TANGEDCO shall remain a key rating monitorable.

Regulatory risk

DIL is exposed to regulatory risk due to an ongoing case relating to approval of its PPA with NPCL. Although DIL has received a favorable order from Appellate Tribunal (APTEL), it has now been referred to Honorable Supreme Court. Adverse outcomes shall remain a key monitorable.

Liquidity - Adequate

The company has adequate liquidity with free cash and cash equivalents amounting to ₹150 crore as on September 30, 2024. The average fund-based working capital utilisation in FY24 stood at 43%. Further, DIL's cash accruals, and cash and cash equivalents are expected to be adequate to meet its repayments in FY25 and FY26, which provides comfort.

Environment, Social and Governance (ESG) profile: Not Applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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[Short Term Instruments](#)

[Thermal Power](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

DIL belongs to the RP-Sanjiv Goenka group. It was incorporated in 2006 as a JV between Prithvi group and Manikchand Group, for setting up a 600 MW thermal power plant (2 x 300 MW) in Tadali Industrial Area, Chandrapur district, Maharashtra. DIL is a wholly owned subsidiary of CESC since March 31, 2022. The Unit-I (300 MW) and Unit-II (300 MW) were commissioned on February 11, 2014, and August 02, 2014, respectively. The 'RP-Sanjiv Goenka' group is a leading industrial group in the country, having interests across diverse business segments such as power, infrastructure, carbon black, retail, education, BPO, and media & entertainment. DIL is governed by a six member Board of Directors. All directors are highly qualified professionals with long industry experience.

Brief Financials (₹ crore)*	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1,892	1,916	1,063
PBILDT	524	559	329
PAT	244	283	193
Overall gearing (times)	2.44	1.53	NA
Interest coverage (times)	2.55	2.92	2.93

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

*The financials have been analytically adjusted as per CARE Ratings' methodology.

Status of non-cooperation with previous CRA: Not available

Any other information: Not available

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-Cash Credit		-	-	-	250.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	September, 2035	570.36	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	September, 2035	1366.18	CARE A-; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	55.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	75.00	CARE A2

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	1366.18	CARE A-; Stable	1)CARE A-; Stable (30-May-24)	1)CARE BBB+; Stable (26-Sep-23)	1)CARE BBB+; Stable (03-Oct-22)	1)CARE BBB+; Stable (07-Oct-21)
2	Fund-based - LT-Cash Credit	LT	250.00	CARE A-; Stable	1)CARE A-; Stable (30-May-24)	1)CARE BBB+; Stable (26-Sep-23)	1)CARE BBB+; Stable (03-Oct-22)	1)CARE BBB+; Stable (07-Oct-21)
3	Non-fund-based - ST-BG/LC	ST	75.00	CARE A2	1)CARE A2 (30-May-24)	1)CARE A3+ (26-Sep-23)	1)CARE A3+ (03-Oct-22)	1)CARE A3+ (07-Oct-21)
4	Fund-based - LT-Term Loan	LT	570.36	CARE A-; Stable	1)CARE A-; Stable (30-May-24)	1)CARE BBB+; Stable (26-Sep-23)	1)CARE BBB+; Stable (03-Oct-22)	1)CARE BBB+; Stable (07-Oct-21)
5	Non-fund-based - LT-Bank Guarantee	LT	55.00	CARE A-; Stable	1)CARE A-; Stable (30-May-24)	1)CARE BBB+; Stable (26-Sep-23)	1)CARE BBB+; Stable (03-Oct-22)	1)CARE BBB+; Stable (07-Oct-21)

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

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

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 - ST-BG/LC	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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