Madhya Bharat Power Corporation Limited

March 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	862.78 (Reduced from 963.69)	CARE A; Stable	Upgraded from CARE A-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating upgrade on the bank facilities of Madhya Bharat Power Corporation Limited (MBPCL), which is operating a 113-MW run-of-the-river hydroelectric power project in Sikkim, factors in the healthy track record of ~4 years with satisfactory operational performance and timely collections. The company reported Plant Load Factor (PLF) of 40.0% in FY24 against 43.8% in FY23 and PLF. The average PLF in 9M FY25 was ~51% which is in line with 9M FY24 performance. This apart, the plant has been consistently meeting its designed energy (38%) and Normative Annual Plant Availability Factor (NAPAF) requirements of 78% since it was commissioned in June 2021. The company achieved a PAF of 82% in FY24 and a higher PAF of 94% in 9M FY25. Going forward, CARE Ratings Limited (CARE Ratings) expects generation and PAF to remain in line with the historical trend. Further, the rating factors in the creation of Debt Service Reserve Account (DSRA) amounting to Rs. 70.50 crore equivalent to debt servicing obligations of two quarters, which supports the liquidity profile. CARE Ratings notes that the final tariff order in yet to be received. While it does not anticipate any major variations from the provisional tariff order in the base case, any material deviation, if arises, could adversely impact the rating and will continue to remain a key monitorable.

The rating continues to factor in strong revenue visibility with the presence of long-term (35 years) Power Purchase Agreement (PPA) for the entire capacity with Chhattisgarh State Power Distribution Company Limited (CSPDCL), leading at a tariff determined by the Chhattisgarh State Electricity Regulatory Commission (CSERC), which ensures recovery of normative cost and stable return. Moreover, the rating continues to draw comfort from the deferment of free power payable to the Govt of Sikkim (GoS) until FY32, aiding MBPCL's liquidity cushion in the near term. The project also benefits from a strong 15-year tail period, ensuring long-term operational stability. The rating also derives strength from the credit profile of Sarda Energy & Minerals Limited (SEML, the flagship company of the Sarda group and the major shareholder in MBPCL). The rating takes into account the management's stance on continued support to MBPCL due to its strategic and economic importance in the group.

However, the rating is constrained by the leveraged capital structure as reflected by total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) of 5.16x as on FY24 end. Going forward, as per CARE Ratings' base case the capital structure will continue to remain leveraged with TD/EBITDA expects to remain range bound between 4.30x-5.50x over the next few years. CARE Ratings also factors in exposure of project cash flows to variations in interest rate, towards the additional term loan of Rs.200 crore, as the recoveries of this loan would remain dependent on approval of final project costs . CARE Ratings notes that the company is truing up its revenues basis the estimated cost structure, and there could be a possibility of a one-time liability arising towards the cumulative truing up amount since commissioning, however the risk is mitigated to an extent due to the presence of liquid investments of over ~Rs.90 crore held as on February 25, 2025, which is maintained for this purpose. Moreover, rating is also constrained by hydrology risks associated with the plant and single asset nature of the company exposing it to event risk like flash flood, cloud burst etc.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in actual generation levels with receivable cycle of below 60 days, on a sustained basis resulting in improvement in liquidity profile and coverage metrics reflected through cumulative DSCR of the plant above 1.25x (over next 10 years).
- Faster than expected deleveraging of the project

Negative factors

- Deterioration of credit profile of off-taker and elongation of average collection period with average receivable days of over 120 days on a sustained basis, adversely impacting the liquidity profile
- Weakening of the credit profile of the parent, i.e., SEML, or any change in linkages/support philosophy between the parent and MBPCL.

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

- Underperformance in generation levels or lower tariff or increase in debt level or the borrowing cost adversely impacting coverage metrics resulting in reduction in cumulative DSCR to below 1.15x (over next 10 years).

Analytical approach: Standalone factoring the parent support.
CARE Ratings has notched up the rating of MBPCL factoring the financial linkages with SEML.

Outlook: Stable
The stable outlook reflects MBPCL's ability to sustain its financial credit due to its stable returns through long-term PPA, steady generation and collection profile as well as the benefits accruing from being part of the Sarda Group.

Detailed description of key rating drivers:

Key strengths

Satisfactory operating performance, with a track record of around 4 years
The project commenced operations on June 30, 2021, and has operational track record of ~4 years. The company reported Plant PLF of ~40.0% in FY24 against 43.8% in FY23 and PLF. The average PLF in 9M FY25 was ~51% which is in line with 9M FY24 performance. This apart, the plant has been consistently meeting its designed energy (38%) and NAPAF requirements of 78% since it was commissioned in June 2021. The company achieved a PAF of 82% in FY24 and a higher PAF of 94% in 9M FY25. Going forward, CARE Ratings expects generation and PAF to remain in line with the historical trend.

Strong revenue visibility with entire capacity tied up with CSPDCL through long-term PPA
MBPCL's entire capacity, i.e., 113 MW is tied up with CSPDCL in a long-term PPA for 35 years. The tariff for supply of contracted energy is determined by CSERC. The tariff will be two part – with 50% of the annual fixed charge (AFC) recoverable upon achievement of normative plant availability factor (NAPAF), while the remaining 50% of the AFC is recoverable for the total energy scheduled to be supplied on ex-bus basis at a computed energy charge rate. It ensures adequate recovery of cost along with stipulated return on equity on achievement of normative availability and generation meeting the design energy of the plant. In FY24, the company achieved a Plant Availability Factor (PAF) of 82%, which increased to 94% in 9M FY25, exceeding the NAPAF of 78%, and consistently recovered the full capacity charges.

Partial clarity on capital cost approval has emerged with roll out of provisional tariff
CSERC, vide its order, has considered an amount of ₹1,370 crore (which is 85% of the actual capital cost incurred) as project cost for determination of provisional tariff. Although this is lower than the Government of Sikkim (GoS) approved project cost of ~₹1,612 crore. CARE Ratings draws comfort from the project remaining viable even at 85% of the total cost, as the project has a lower debt burden compared to typical power projects, which are usually financed with a debt-equity ratio of 70:30. Additionally, the projected debt-service coverage ratio (DSCR) at the provisional tariff remains within acceptable limits.

Deferment of royalty payable to GoS, improving liquidity profile of MBPCL
As per the implementation agreement of MBPCL and GoS, MBPCL had to provide free power or money equivalent there of 12% free power for the first 15 years and 15% free power for the 16th to 35th years. MBPCL had requested GoS to defer the off-take of free power share during the initial years. Accordingly, GoS has agreed to defer the payment of 9% (out of 12%) of its share of the free power for the initial 10 years (till FY32). From 11th to 25th year, the payment of the 9% deferred power will be recovered in 15 equal instalments with additional 1% free power. The deferment of royalty is expected to provide surplus liquidity till the 10th year of operation for MBPCL

Strong credit profile of the parent, i.e., SEML and Management's stance on continued support for the project
SEML has healthy business risk profile supported by steady performance in the existing metals business and strong financial risk profile, driven by comfortable debt protection metrics, healthy cash accrual and strong liquidity. Hydro power business (where cash flow is steady and PBILDT margin is high) de-risks the cyclicality of metal business of the Sarda group and thus is strategically important for the group. As the largest operational hydro power project of the group with increased viability now, there is economic rationale for the group to provide support to MBPCL, if required. Going forward, SEML is expected to provide need-based financial support to MBPCL, if required.

Key weaknesses

Leveraged capital structure and exposure to interest rate risks, however, supported by comfortable debt coverage indicators

MBPCL's capital structure is leveraged on account of the debt-funded capex incurred for setting up the project, as reflected in TD/EBITDA of 5.16x as on FY24 end. Going forward, as per CARE Ratings' base case the capital structure will continue to remain leveraged with TD/EBITDA expects to remain range bound between 4.30x-5.50x over the next few years. CARE Ratings also factors in exposure of project cash flows to variations in interest rate, as the additional term loan of Rs.200 crore does not have a pass-through mechanism. However, CARE Ratings expects project's coverage to remain moderate with cumulative DSCR being around 1.17x for the debt tenure.

Uncertainty associated with true-up liabilities, supported by liquidity buffer

MBPCL's entire capacity, 113 MW, is tied up with CSPDCL in a long-term PPA for 35 years. The tariff for supply of contracted energy is determined by CSERC. While the PPA is already in place, the final tariff order is yet to be received from the CSPDCL, and hence there is an uncertainty wrt the final tariff. However, the authority is currently making payments on provisional tariff basis considering cost plus mechanism, which as per CARE Ratings base case is not expected to vary materially from final tariff. CARE Ratings has considered ~Rs.1370 crore of capital costs which is ~85% of the total project cost of Rs.1612 crore in its base and any material deviation, if arises, could adversely impact the rating and will continue to remain a key monitorable.

CARE Ratings notes that the company is truing up its revenues basis the estimated cost structure, and there could be a possibility of a one-time liability arising towards the cumulative truing up amount since commissioning, however the risk is mitigated to an extent due to the presence of liquid investments of over ~Rs.90 crore held as on February 25, 2025, which is maintained for this purpose.

Hydrological risks associated with run-of- the-river power generation

Run-of-the-river power is considered an un-firm source of power, as a run-of-the-river project has little or no capacity for energy storage and therefore is dependent on the flow of river water for power generation. It thus generates much more power during times when seasonal river flows are high and has lower generation during drier months. Furthermore, MBPCL's operations are restricted to a single plant, which exposes it to the risks arising out of single-site nature of operations. Sikkim is placed in high-risk seismic zone in India where there are frequent earthquakes. Moreover, Sikkim received high rainfall with history of high flash flood occurrence in the past exposing the company to high risk. However, the company has obtained comprehensive insurance which covers majority of the above risks covered above.

Liquidity: Adequate

The cash and equivalent of the company stood at Rs. 4.21 crore as on December 31, 2024. Additionally, the company has created DSRA of Rs. 70.50 Crores equivalent to debt servicing obligations of two quarters. Further, the company has additional funds in liquid investment which stood at around 90.86 crore as on Feb 25, 2025. The company also has working capital limits of Rs.5 crore which are not being utilised over the past 12 months, which provides cushion.

As per CARE Ratings' base-case scenario, the adjusted gross cash accruals (GCA) for FY25 and FY26 are expected to be ~Rs. 113.25 crore and ~Rs 115.23 crore against annual repayments of ~Rs. 80.41 crore & Rs. 82 crore respectively.

Applicable criteria

Policy on Default Recognition
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Power Generation Projects
Rating of Short Term Instruments

About the company and industry

MBPCL was incorporated in September 1994. It is promoted by SEML and Chhattisgarh Investment Limited. MBPCL has commercialised a 113-MW run-of-the-river hydroelectric power project on the Rongni Chu tributary of Teesta River in Sikkim on June 30, 2021. The entire capacity is tied up with PPA of tenor of 35 years with CSPDCL. The total project cost of ₹1,612 crore (incurred as on June 30, 2021) was funded in D:E ratio of 1.436:1.

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9M FY25 (UA)
Total operating income	252.16	260.85	240.00
PBILDT	165.13	176.35	174.00
PAT	4.49	11.99	65.00
Overall gearing (times)	1.90	1.72	1.42
Interest coverage (times)	1.77	1.84	2.55

A: Audited UA: Unaudited; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	April 15, 2039	827.78	CARE A; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	30.00	CARE A; 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	827.78	CARE A; Stable	1)CARE A-; Stable (02-Apr-24)	1)CARE A-; Stable (06-Apr-23)	1)CARE A-; Stable (23-May-22)	-
2	Non-fund-based - LT-Bank Guarantee	LT	30.00	CARE A; Stable	1)CARE A-; Stable (02-Apr-24)	1)CARE A-; Stable (06-Apr-23)	1)CARE A-; Stable (23-May-22)	-
3	Fund-based - LT-Cash Credit	LT	5.00	CARE A; Stable	1)CARE A-; Stable (02-Apr-24)	-	-	-

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	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.

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: 912267543404 E-mail: saikat.roy@careedge.in	Jatin Arya Director **CARE Ratings Limited** Phone: 91-120-4452021 E-mail: Jatin.Arya@careedge.in Saurabh Singhal Assistant Director **CARE Ratings Limited** Phone: 9790971616 E-mail: saurabh.singhal@careedge.in Ronak Jain Lead Analyst **CARE Ratings Limited** E-mail: Ronak.jain@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.

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