M. P. Power Management Company Limited

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	2,300.00	CARE BB+; Stable	Downgraded from CARE BBB-; Stable
Short-term bank facilities	900.00	CARE A4+	Downgraded from CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings on bank facilities of M. P. Power Management Company Limited (MPPMCL), which is a wholly owned subsidiary of the Government of Madhya Pradesh (GoMP), factors in the continued deterioration in operational performance, characterised by sustained increase in aggregate technical & commercial (AT&C) losses, owing to low billing efficiency and collection efficiency, and high average cost of supply – average revenue realised (ACS-ARR) gap, attributed to inadequate tariff revisions by the Madhya Pradesh Electricity Regulatory Commission (MPERC) over successive years. Ratings continue to factor high dependence on subsidy from GoMP, weak capital structure, and worsening debt coverage indicators, heavy accumulated losses and high debt levels.

However, ratings derive strength from parentage of MPPMCL with 100% ownership of GoMP, which has demonstrated support in the form of tariff subsidies, equity infusion, government-guaranteed debt, and perpetual loans to MPPMCL. Ratings also factor MPPMCL's strategic importance by virtue of being the holding company of the three power distribution companies (discoms) of Madhya Pradesh – Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVV), Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited (MPMKVV), and Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited (MPPKVV) – licensed to distribute power in designated areas. Ratings also draw comfort from MPPMCL's operations on a cost-plus return-on-equity (RoE) regulatory model, assuring stable cash flows and allowing the MPERC to revise tariff in the past. Ratings also factor the fuel cost adjustment (FCA) mechanism in place.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant reduction in the AT&C losses.
- Significant improvement in the capital structure / debt reduction.
- Significant improvement in the ACS-ARR gap.

Negative factors

- Further increase in the AT&C losses.
- Sustainable delays in receipt of tariff subsidies from GoMP hampering the operations.

Analytical approach

CARE Ratings Limited (CARE Ratings) has analysed MPPMCL's credit profile by considering consolidated financials and business risk profiles of MPPMCL and the three discoms – MPPoKVV, MPMKVV, and MPPKVV, its wholly-owned subsidiaries. MPPMCL is the holding company of the three discoms and is responsible for power purchase at a consolidated level with high cashflow fungibility. CARE Ratings has also factored operational and financial linkages with GoMP. The list of entities consolidated is annexed as Annexure-6.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectations of MPPMCL being able to maintain its AT&C losses at existing levels, its continuous dependence on state government support for realising tariff subsidies, and leveraged profile remaining elevated in the medium term.

Detailed description of the key rating drivers

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

Key weaknesses

Dependency on tariff subsidy from state government

The company heavily relies on government subsidies as the tariffs are not reflective of cost of power and consumers in the residential and agriculture sectors benefit from cross-subsidies funded by other consumer segments, commercial and industrial (C&I), reducing tariff competitiveness for C&I customers that are typically prompt with bill payments. In FY23 and FY24, the company received subsidies of ~₹25,759 crore and ₹26,862 crore, respectively, accounting for 45-50% of revenue highlighting its dependence on such financial support.

Weak operating performance

On a consolidated basis, MPPMCL's AT&C losses worsened from 20% in FY22 to 24% in FY23, and further deteriorated to 27% in FY24 due to inefficient operations, as indicated by lower billing efficiency and collection efficiency. Although the discoms have taken steps for improving efficiency of the distribution network and reducing instances of thefts, they are lagging behind in implementation of initiatives such as installation of prepaid smart metres under the Revamped Distribution Sector Scheme (RDSS), which is aimed at reducing discoms' AT&C losses. On a consolidated basis, the ACS-ARR gap of MPPMCL has remained largely stable at ₹0.94 per unit in FY24 (₹0.96 per unit in FY23) despite inadequate tariff hikes, which were partly offset by lower power purchase cost in FY24.

Weak capital structure and debt coverage indicators

MPPMCL's capital structure is weak with a negative net worth as on March 31, 2024, due to continuous reported losses. The company has high debt levels and high utilisation of fund-based working capital limits in FY24 for funding its capex and working capital requirements. Debt coverage indicators stood weak due to high interest cost and high outstanding debt on the back of operating and cash losses.

Weak power regulatory framework

MPPMCL faces significant regulatory risks associated with constricted traffic hikes on a consolidated level. Given the inadequate tariff revenue and tariff hikes, there is a revenue shortfall due to subsidised rates of agricultural and residential supply, which is funded through subsidy from GoMP.
MPERC approved only a marginal increase of 0.07% for FY24-25, which does not sufficiently cover the company's operating costs, further impacting its profitability.

Key strengths

Parentage of GoMP with support and strategic importance

MPPMCL is a government company with 100% equity share capital held by GoMP upon unbundling of erstwhile Madhya Pradesh State Electricity Board (MPSEB) as part of domestic power sector reforms. By its strategic importance of being the holding company of the three discoms of Madhya Pradesh, the GoMP has extended financial support in the form of tariff subsidies, equity infusion, perpetual loans, and extending guarantee for MPPMCL's borrowings. MPPMCL has a qualified and experienced management team with reasonable industry experience. Moreover, the government has also supported the company by providing tariff subsidy from time to time, and clearing ~₹6,300 crore out of the subsidy arrears of ~₹12,000 crore over FY23 and FY24.

Cost-plus RoE regulatory business

MPPMCL operates under the framework of the regulator MPERC, which determines the tariff charged by the company. Under the MPERC tariff regulations, MPPMCL is required to file tariff petition with the MPERC indicating the aggregate revenue requirement (ARR) depending on expected costs and a defined RoE. Tariffs in such cases are determined on a cost-plus basis. In case of higher actual costs incurred than allowed by the regulator, the company is required to submit a true-up petition for the cost adjustment to be allowed in the future years' tariff. MPERC, after duly verifying the petition, decides the final tariff that can be recovered from customers, leading to assured revenues for MPPMCL. Tariff orders issued by MPERC have generally been on time in the past.

FCA mechanism, allowing pass-through of the incremental power purchase cost to consumers

MPPMCL is the power purchaser on behalf of all three discoms of Madhya Pradesh and has signed long-term power purchase agreements (PPAs) for purchasing power from different entities. There also exists an FCA mechanism through which power purchase cost is reviewed quarterly and any required revision in tariff is made applicable from the next quarter. This mechanism, followed since April 2012, reduces the revenue gap at the time of the true-up process.

Liquidity: Stretched

The liquidity position of MPPMCL stood stretched, marked by accumulated net losses and an elongated creditors' period. The operating cycle stood negative on the back of high creditor days of ~134 days in FY24 against 132 days in FY23. The company has been delaying payments to the state-owned power generating company, Madhya Pradesh Power Generating Company Limited (MPPGCL; rated 'CARE C; Issuer Not Cooperating), for managing its working capital requirements and debt servicing. The current ratio stood below unity at FY24-end due to higher creditors. The average utilisation of fund-based working capital limits stood at ~78% for the last 12 months ended October 2024, with maximum utilisation of ~93%.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Government Support
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Short Term Instruments
Power Distribution

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power distribution

GoMP, vide its orders dated November 01, 2002, and May 31, 2005, unbundled the erstwhile MPSEB. Functions of generation, transmission, distribution, and retail supply of electricity, earlier carried out by the erstwhile MPSEB, were restructured and transferred to five companies for functioning independently with a generation company – MPPGCL, a transmission company – Madhya Pradesh Power Transmission Company Limited (MPPTCL), and the three discoms – MPPoKVV, MPMKVV, and MPPKVV. In 2006, another company, M. P. Power Trading Company Limited, was formed for purchasing or trading power for discoms and was rechristened as MPPMCL in April 2012. MPPMCL, the holding company for all three discoms, is responsible for the overall coordination and supervision activities of the discoms, including power purchase.

MPPMCL – Consolidated

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	52,021	55,138
PBILDT	611	(1,365)
PAT	(2,586)	(4,887)
Overall gearing (times)	NM	NM
Interest coverage (times)	0.16	NM

A: Audited; UA: Unaudited; NM: Not meaningful. The above financials have been adjusted as 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 the last three years: Annexure-2

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

Complexity level of the various 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 (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		-	-	-	920.00	CARE BB+; Stable
Fund-based - LT-Working capital demand loan		-	-	-	1,380.00	CARE BB+; Stable
Non-fund-based - ST-Letter of credit		-	-	-	900.00	CARE A4+

Annexure-2: Rating history for the 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-Working Capital Limits	LT	-	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A- (CE) (RWN) (27-Dec-22)	1)CARE A- (CE) (CW with Negative Implications) (17-Feb-22)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A2+ (CE) (RWN) (27-Dec-22)	1)CARE A2+ (CE) (CW with Negative Implications) (17-Feb-22)
3	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A- (CE) (RWN) (27-Dec-22)	1)CARE A- (CE) (CW with Negative Implications) (17-Feb-22)
4	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A2+ (CE) (RWN) (27-Dec-22)	1)CARE A2+ (CE) (CW with Negative Implications) (17-Feb-22)
5	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A2+ (CE) (RWN) (27-Dec-22)	1)CARE A2+ (CE) (CW with Negative Implications) (17-Feb-22)

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
6	Fund-based - LT-Working Capital Limits	LT	-	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE A- (CE); Negative (17-Feb-22)
7	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A- (CE) (RWN) (27-Dec-22)	1)CARE A- (CE) (CW with Negative Implications) (17-Feb-22)
8	Unsupported Rating-Unsupported Rating (LT/ST)	LT/ST	-	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE BB / CARE A4 (17-Feb-22)
9	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A- (CE) (RWN) (27-Dec-22)	1)CARE A- (CE) (CW with Negative Implications) (17-Feb-22)
10	Fund-based - LT-Cash Credit	LT	920.00	CARE BB+; Stable	-	1)CARE BBB-; Stable (22-Feb-24)	1)CARE BBB-; Stable (06-Jan-23)	-
11	Fund-based - LT-Working Capital Demand loan	LT	1380.00	CARE BB+; Stable	-	1)CARE BBB-; Stable (22-Feb-24)	1)CARE BBB-; Stable (06-Jan-23)	-
12	Non-fund-based - ST-Letter of credit	ST	900.00	CARE A4+	-	1)CARE A3 (22-Feb-24)	1)CARE A3 (06-Jan-23)	-

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

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

Not applicable

Annexure-4: Complexity level of the various instruments/facilities rated

Sr. No.	Name of the Instrument/Bank Facilities	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Working capital demand loan	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated

Sr. No	Name of Entity	Extent of Consolidation	Rationale for Consolidation
1	MP Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVV)	Full	Wholly owned subsidiary
2	MP Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVV)	Full	Wholly owned subsidiary
3	MP Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVV)	Full	Wholly owned subsidiary

Note on the complexity levels of the 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:

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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