

Madhya Pradesh Power Generating Company Limited

March 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE C; ISSUER NOT COOPERATING* and Withdrawn

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding rating of 'CARE C; ISSUER NOT COOPERATING' [Single C; ISSUER NOT COOPERATING] assigned to bank facilities of Madhya Pradesh Power Generating Company Limited (MPPGCL) with immediate effect. This action has been taken at the request of MPPGCL and 'No Objection Certificate' received from the bank that has extended the facility rated by CARE Ratings.

Prior to the withdrawal, the rating assigned to bank facilities of MPPGCL considered the delay in servicing of debt obligations of bank facilities (not rated by CARE Ratings) in February 2024, as indicated by the no-default statement (NDS) for February 2024 shared by the company.

The rating assigned to MPPGCL's bank facilities continued to be constrained due to the moderate operational performance in terms of lower-than-normative plant availability factor (PAF) in its power plants in FY23, leading to under-recovery of annual fixed charges (AFC) and consequent impact on MPPGCL's profitability. The rating is also constrained due to counterparty risk due to weak credit profile of its sole counterparty, M. P. Power Management Company Limited (MPPMCL; rated 'CARE BB+; Stable/CARE A4+'), stretched liquidity due to delay in receipt of payments from MPPMCL, leveraged capital structure, and weak debt coverage indicators. The rating also factors in envisaged debt-funded capex plans for setting-up of additional thermal and renewable power capacities and installation of a flue gas desulfurisation (FGD) system in its thermal plants.

However, CARE Ratings notes that MPPGCL is a wholly owned subsidiary of the Government of Madhya Pradesh (GoMP), which has demonstrated support in the form of equity infusion, government-guaranteed debt and perpetual loans to MPPGCL, and the strategic importance of being the state power generating company. The rating also factors in the presence of long-term power purchase agreements (PPAs) with MPPMCL operating under the regulated cost-plus tariff mechanism and fuel supply agreements (FSAs) in place for all its thermal power plants.

Analytical approach

Standalone, while factoring in the operational and financial linkages with GoMP.

Detailed description of key rating drivers

At the time of last rating on April 01, 2024, the following were the rating strengths and weaknesses (updated for the information available)

Key weaknesses

Delays in debt servicing in case of facilities not rated by CARE Ratings

While MPPGCL has been regular in servicing debt that is rated by CARE Ratings (as confirmed by the company's banker), there are ongoing delays in debt servicing of facilities availed from financial institution (debt not rated by CARE Ratings) per the monthly NDS given by the company.

Moderate operational and financial performance

Although there has been a marginal improvement in MPPGCL's operational performance in FY23, the PAF of its power plants remained lower than the normative levels in FY23. This has adversely impacted the company's ability to recover the AFC. MPPGCL's overall PAF power plants improved to 60.90% in FY23 against 53.80% in FY22, whereas overall plant load factor (PLF) of the plants improved to 57.80% in FY23 against 44.41% in FY22. Combined PAF for 6MFY24 was 60.22% and combined PLF was at 56.53%.

Moderate credit risk profile of the off-taker and high receivable levels

MPPGCL has executed long-term PPAs with MPPMCL for supply of power generated by its power plants. MPPMCL's credit profile is constrained due to its weak operating performance, marked by high aggregate technical and commercial (AT&C) losses,

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

high average cost of supply-average revenue realised (ACS-ARR) gap, and weak capital structure, resulting in reduced financial flexibility. MPPMCL has a large amount of outstanding overdue payments, resulting in a high average overdue-to-monthly average billing. MPPMCL's liquidity is weak, which is managed through high utilisation levels of fund-based working capital limits and deferring of payments to creditors, including MPPGCL.

However, MPPGCL has started receiving payments from MPPMCL under the Ministry of Power's (MoP's) Late Payment Surcharge (LPS) Rules. The cut-off date for outstanding dues was June 03, 2022. Outstanding dues will be payable in 40 instalments. As on March 31, 2023, outstanding receivables of MPPGCL stood at ~₹6,910 crore against ₹6,110 crore as on March 31, 2022, although it continues to remain high.

Leveraged capital structure and weak debt coverage indicators

MPPGCL's capital structure continued to remain highly leveraged with an overall gearing of 2.5x as at the end of FY24 (FY23: 3.03x) due to significant debt levels to fund capex and support the company's operations. Debt coverage indicators stood weak with a profit before interest, lease rentals, depreciation and taxation (PBILDT) interest coverage of 1.83x in FY24 (FY23: 1.70x). The total debt to gross cash accruals (TD/GCA) and TD/PBILDT also stood high in FY24, at 6.84x (FY23: 8.54x) and 4.85x (FY23: 5.45x), respectively.

Significant debt-funded capex

MPPGCL has envisaged a capex for setting up additional thermal and renewable power capacities and installation of an FGD system in its thermal plants. The total envisaged capex in the next 3-4 years is ~₹10,000 crore, which is envisaged to be funded through a mix of debt and equity. The debt-to-equity ratio for the envisaged capex is expected to be 80:20.

Key strengths

Parentage of GoMP with support and strategic importance

MPPGCL is a government company, with 100% equity share capital being held by GoMP on unbundling the erstwhile Madhya Pradesh State Electricity Board (MPSEB) as part of domestic power sector reforms. MPPGCL supplies electricity to MPPMCL under long-term PPAs. Considering the strategic importance of being a state power generating company, GoMP has extended financial support through infusion of equity, perpetual loans, and extending guarantee for the MPPGCL borrowings.

Presence of long-term PPAs under cost-plus tariff mechanism

MPPGCL has tied-up its entire power generation capacity with MPPMCL under long-term PPAs, mitigating demand risk. These long-term PPAs have been signed under the regulated cost-plus tariff mechanism, which allows the company to pass on entire costs to MPPMCL, subject to adherence to normative operating parameters. The per unit capacity and energy charges are determined by the Madhya Pradesh Electricity Regulatory Commission (MPERC), considering a post-tax return-on-equity (RoE) of 15.50%.

Fuel supply arrangements in place

Of the total installed power generation capacity of 6,321.58 MW of MPPGCL, ~85% is thermal. MPPGCL entered long-term FSAs with South Eastern Coalfields Limited (SECL) for 17.25 million metric tonne per annum (MMTPA), with Northern Coalfields Limited (NCL) for 1.54 MMTPA, and with Western Coalfields Limited (WCL) for 8.45 MMTPA, to cater to fuel requirements of all its thermal plants.

Liquidity: Poor

MPPGCL's liquidity stood poor, marked by an elongated receivables period due to significant delays in receipt of dues and large outstanding receivables from MPPMCL for the power supplied. Operating cycle stood high owing to high receivables days of ~216 days in FY23 against 255 days in FY22. The company has sanctioned fund-based working capital limits of ₹1,300 crore and its average utilisation continued to remain high at ~78% for 12 months ended October 31, 2023, with maximum utilisation of ~96%.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

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

MPPGCL was incorporated in 2001 for carrying out the power generation business in Madhya Pradesh. 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 MPSEB, were restructured and transferred to five companies to function independently. MPPGCL took over the power generation plants of the erstwhile MPSEB post unbundling in April 2002. MPPGCL's operations of MPPGCL mainly include generation of power and selling it to MPPMCL based on long-term PPAs. Equity requirements in all ongoing and proposed projects are being met by GoMP. As on March 31, 2023, MPPGCL had a total power generation capacity of 6,321.58 MW, which includes a mix of thermal (coal) and hydro plants.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	10,812	12,187
PBILDIT	2,305	2,371
PAT	102	344
Overall gearing (times)	3.03	2.50
Interest coverage (times)	1.70	1.83

A: Audited. The above financials have been adjusted 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 last three years: Annexure-2

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

Complexity level of 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn

*Issuer did not cooperate; based on best available information.

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-Cash Credit	LT	-	-	-	-	1)Withdrawn (06-Jan-23) 2)CARE A-(CE) (RWN) (27-Dec-22)	1)CARE A-(CE) (CW with Negative Implications) (16-Feb-22) 2)CARE A-(CE); Negative (16-Apr-21)
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE D (16-Feb-22) 2)CARE D (16-Apr-21)
3	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (06-Jan-23)	1)CARE A-(CE); Negative (16-Feb-22)
4	Fund-based - LT-Cash Credit	LT	-	-	1)CARE C; ISSUER NOT COOPERATING* (01-Apr-24)	1)CARE C (04-Dec-23) 2)CARE BB+; Stable (06-Jul-23)	1)CARE BB+; Stable (06-Jan-23)	-

*Issuer did not cooperate; based on best available information.

LT: Long term

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

Not applicable

Annexure-4: Complexity level of instruments/facilities rated

Sr. No.	Name of the Instrument/Bank Facilities	Complexity Level
1	Fund-based - LT-Cash credit	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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