SEIL Energy India Limited (Revised)

June 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	250.00	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed its rating on the non-convertible debentures (NCDs) of SEIL Energy India Limited (SEIL), which is operating a 2,640-MW thermal power project in Andhra Pradesh, factors in the satisfactory track record of over eight years and healthy generation profile and timely receipt of payments from the off-takers. The company reported plant load factor (PLF) of 76% in FY25 (PY: 81%) and plant availability factor (PAF) of 93% in FY25 (PY: 93%), with PAF remaining above normative levels resulting in full recovery of capacity charges. The company continues to receive payments in a timely manner as reflected by receivable days of 115 days as of FY25-end against 137 days as of FY24-end. Moreover, SEIL has adequate revenue visibility owing to presence of long-term and medium-term power purchase agreements (PPAs) for ~93% of its net capacity (PY: 63%). The PPAs have been signed with distribution utilities of Andhra Pradesh, Telangana, Haryana, and Bangladesh Power Development Board (BPDB), which also results in counterparty diversification.

The rating continues to derive strength from the moderate fuel risk owing to long-term fuel supply agreements (FSAs) with Coal India Limited (CIL) subsidiaries for domestic coal which can largely meet the coal requirement considering the presence of LT/MT PPA for ~93% of net capacity. The PPAs with BPDB have tariff quoted in USD, which mitigates the foreign exchange risk associated with imported coal to some extent. Around 1.5 MTPA imported coal is secured under a fixed-price contract and the remainder linked to market indices. The rating also takes comfort of operational synergies between SEIL and Sembcorp Utilities Pte. Ltd. (SUPL; wholly owned subsidiary of Sembcorp Industries Limited; erstwhile promoter of the company) considering a Technical Service Agreement (TSA). SUPL has economic incentive to operate the project given the deferred payment note arrangement between SUPL and Tanweer Infra (current promoter), which is linked with the asset's ability to generate surplus cash flows. The asset was sold to a consortium of Tanveer Infrastructure in January 2023 for a total transaction value of ₹12,560 crore. SCU has been paid ₹5,336 crore (including accrued interest) till April 2025. Until the entire payment is made, SCU would continue to have significant economic interest in SEIL as the group will also earn interest of the surplus cash flows generated and the agreed consideration. The timeline for payment to SCU is 15 years from the date of transaction, which can be extended upto 24 years.

The financial risk profile of the entity also remained strong in FY25 considering strong realisations for merchant sale and stable cash flows from the tied-up capacity. Over the last five years, company has significantly deleveraged through its cash accruals and promoter contribution. The total debt as on March 31, 2025, stands at ₹6,372 crore translating to Total Debt/MW of 2.41x. Going forward, CARE Ratings estimates the total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) to remain below 3x in its base case projections driven by strong revenue visibility.

However, the rating remains constrained due to asset concentration risk and limited geographic diversification. The rating is tempered due to demand risk and price risk associated with untied capacity corresponding to 7% of installed capacity. The rating is also constrained by counterparty credit risk owing to exposure to state distribution utilities having weak to moderate financial risk profile and elevated debtors from BPDB. The payment from state distribution utilities continues to be timely. The rating also factors in the risk associated with the envisaged debt-funded capex for flue gas desulphurisation (FGD). However, MoP has extended the timeline till December 2029 for the said capex. CARE Ratings does not factor in any capacity addition or acquisition plans in its base case. The company is exposed to refinancing risk in FY28 and interest rate risk owing to floating nature of interest rate for majority term loans availed from banks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving total debt / profit before interest, lease rentals, depreciation, and taxation (PBILDT) to less than 1.5x on a sustained basis.

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

Negative factors

- Material change in Sembcorp Group's interest in SEIL.
- Significantly deteriorating operational performance below normative parameters.
- Deteriorating total debt / PBILDT to over 3.5x on a sustained basis.
- Stretching average collection period beyond 180 days, adversely impacting the liquidity profile.

Analytical approach: Standalone

Standalone and factoring in operational linkages with Sembcorp Utilities Pte. Ltd. (wholly owned subsidiary of Sembcorp Industries Limited). This is due to economic incentive linked with SEIL's profitability and operational synergy considering TSA.

Outlook: Stable

The 'stable' outlook reflects SEIL's ability to sustain its healthy operational performance in line with past trends, healthy realisation on merchant sales, and timely payment from counter parties.

Detailed description of key rating drivers:

Key strengths

Operational linkages with Sembcorp Group and incentive attached with profitability of the asset

SEIL was initially promoted by Sembcorp Industries Limited (through a wholly owned subsidiary, Sembcorp Utilities Pte. Ltd.) In FY23, the group executed share purchase agreement (SPA) with Tanweer Infrastructure (Oman-based consortium) for sale of entire stake in SEIL. The deal is structured through deferred payment note where the Omani Consortium is required to make yearly payments for purchase consideration in 15 years, which can be extended in block of two years till 24 years. In case of inadequate cash flows post 24 years, SUPL shall forgo remaining consideration. As a part of the deal, a TSA was also signed among the parties where Sembcorp will extend technical advisory and operational support to SEIL. Owing to Deferred Payment Note (DPN) and TSA, Sembcorp continues to remain economically invested in SEIL as the asset performance is directly linked to the payment of purchase consideration. Sembcorp had extended corporate guarantee to the refinanced rupee term loan and majority of working capital limits are backed by SCU CG. However, as articulated by the management to CARE Ratings, the guaranteed debt will be replaced with project backed debt by March 2026. The NCDs rated by CARE Ratings does not bear corporate guarantee.

Majority capacity tied-up through LT/MT PPAs

SEIL has long-term PPAs with discoms of AP, Telangana, Haryana and BPDB for ~93% of the project's net capacity leading to revenue visibility. Since last review, the company has signed 127-MW medium-term 5-year PPA with Haryana discom and 12-year long-term PPA for 627 MW with AP discoms, improving the share of tied-up capacity. The weighted average remaining PPA tenor is ~10 years. The remaining capacity is to be sold via short-term PPAs/exchange, exposing the company to demand and price risk associated with merchant market. However, the realisation in merchant route has been strong in the recent past owing to buoyant power demand and limited capacity addition in thermal segment in the country. Timely renewal of PPAs post expiry and signing of PPA for untied capacity at a remunerative tariff structure shall remain a key monitorable. The supply of power from the recently signed cost-plus PPA with Andhra Pradesh discoms has started from May 05, 2025, for 627 MW, for which the APERC's tariff approval is yet to be received.

Secured fuel availability through linkage coal and imported coal under agreements at competitive rates

SEIL utilises a blend of domestic coal and imported coal for meeting the fuel requirement. SEIL has a long-term FSA with Mahanadi Coalfields Limited (MCL) for annual contracted quantity (ACQ) of 4.27 million tonnes per annum (MTPA), for P-1 and P-2. The realisation under FSA was lower in the past owing to lack of long-term/medium-term PPAs. For both plants, the company has a long-term contract for the supply of coal with PT Bayan Resources TBK for upto 2.3 MTPA for 10 years. Renewal of the same at remunerative cost is to be seen. The forex risk for imported coal is partially offset by USD denominated tariff PPA with Bangladesh and United AP. The remaining fuel requirement is met through short-term contracts. In FY25, the coal requirement was equally met via domestic and imported coal. With signing of new long-term/medium-term PPAs recently, the availability of domestic coal is expected to improve going forward.

Satisfactory operational performance

PAF for both P1 and P2 remained above normative over last three years. PLF continued to remain well above all-India PLF levels at 70% and 82%, respectively, for P1 and P2 in FY25 (PY: 82% and 80%, respectively). SEIL has relatively comfortable position in merit order dispatch in respective states and hence receives higher scheduling. Moreover, SEIL clocks sizable volume under short-term PPA/ merchant, by virtue of its competitive coal procurement and short-term trading capabilities.

Comfortable financial risk profile

SEIL has comfortable financial risk profile characterised by stable gross cash accruals (GCA) and comfortable coverage metrics. Owing to stable PAF ensuring fixed cost recovery under contracted capacity and PLF aided by strong power demand, cash accrual of the company has been strong in the recent past. Overall gearing was reasonable at 0.7x as on March 31, 2025 (PY: 0.7x) while the total debt/EBITDA remained moderate at 2.1x in FY25 (PY: 2.2x). Interest cover stood at 4.5x in FY25 (PY: 4.4x). The average collection period has marginally improved year-on-year and stood at 115 days in FY24 (PY: 137 days).

Key weaknesses

Exposure to counterparty credit risk, however, payment security in place

The company has exposure to counter party credit risk as a significant share of the total capacity is tied up with discoms of Andhra Pradesh (59%) and Telangana (11%), which have exhibited weak financial and operational risk profiles. Although debtors for domestic counterparties have improved post implementation of LPSC scheme in June 2022. SEIL is receiving payments from BPDB (18% capacity) with a lag of 3-4 months on average. However, payments from counterparties are secured by LCs submitted by counterparties (including BPDB), which alleviates the risk to some extent. BPDB has settled majority its dues in April 2025. Timely receipt of payment from counter parties shall be a key rating monitorable.

Envisaged debt-funded capex for implementation of FGD

SEIL has been notified to install FGD systems to adhere to new emission norms. The project is expected to be funded through a mix of debt and internal accruals. Moreover, CERC has also allowed the company's petition to accept FGD installation requirement under change in law and has allowed provisionally approved benchmark cost. CARE Ratings notes that MoEF has extended the timeline for implementation of FGD for Category C plants, such as SEIL by three years till December 31, 2029. Timely execution of FGD within the timeline and allowance of the same under LT PPAs shall remain a key monitorable.

Liquidity: Adequate

The company's liquidity profile is characterised by stable GCA against its debt obligation and bank balance of ₹1,128 crore as on March 31, 2025 (PY: ₹174 crores). Liquidity is further supported through moderate utilisation of fund-based working capital limits. Going forward, the company's capex requirement for FGD is expected to be funded through a mix of term loan (yet to be tied up) and internal accrual. SEIL also has a substantial amount of RTL borrowings maturing in FY27 and FY28, which is expected to be refinanced. Given the group's past ability in refinancing and SEIL's flexibility to seek deferment of payment of interest/ principal on deferred payment note for payment of purchase consideration of the asset, SEIL stands comfortable in terms of financial flexibility.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Thermal Power
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

SEIL is currently operating 2,640-MW capacity thermal power plant- P1 (1,320 MW) and P2- (1,320 MW), at Muthukur Mandal, Nellore District, Andhra Pradesh. P1 was completed in FY16 where Unit I achieved commercial operation date (COD) on April 11, 2015, and Unit II on September 15, 2015. P2 achieved COD in FY17 with first unit COD on November 17, 2016, and second unit COD on February 21, 2017.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	9,832	9,255
PBILDT	3,122	2,974
PAT	2,281	1,508
Overall gearing (times)	0.65	0.66
Interest coverage (times)	4.40	4.51

A: Audited; 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
Debentures-Non-convertible debentures	INE460M07010	18-Jun-2024	8.45	18-Jun-2029	250.00	CARE AA+; 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 2025-2026	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
1	Debentures-Non-convertible debentures	LT	250.00	CARE AA+; Stable	-	1)CARE AA+; Stable (05-Jun-24)	-	-

LT: Long 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	Debentures-non-convertible debentures	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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sabyasachi Majumdar Senior Director **CARE Ratings Limited** Phone: 91-120-445 2006 E-mail: Sabyasachi.Majumdar@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Jatin Arya Director **CARE Ratings Limited** Phone: 91-120-445 2021 E-mail: Jatin.Arya@careedge.in Shailendra Baghel Associate Director **CARE Ratings Limited** Phone: 91-226-837-4340 E-mail: Shailendra.Baghel@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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