

## Karnataka Power Corporation Limited (Revised)

August 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	18,727.05	CARE BB+; Stable	Assigned
Long-term / Short-term bank facilities	15,272.95	CARE BB+; Stable / CARE A4	Assigned
Issuer rating	0.00	CARE BB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of Karnataka Power Corporation Limited (KPCL), which has a 9.1 GW operational power projects in Karnataka, factors in the sub-optimal operational performance of its thermal power plants as evident from lower Plant Availability Factor (PAF) against normative parameters, which resulted in under recovery of fixed charges. The rating also factors in high outstanding receivables from Karnataka ESCOMs which has constrained the liquidity profile of the company. While receivables have declined to ₹11,125 crore as on March 31, 2025 (provisional, standalone) against ₹19,244 crore as on March 31, 2024 (consolidated), which continues to remain high. The improvement in debtor position was driven by inflows of ~₹3,700 crore under the securitisation mechanism facilitated by the Power Company of Karnataka Limited (PCKL) and healthy collections from ESCOMs. Capital structure remains leveraged, with total debt of ₹29,209 crore (provisional, standalone) against consolidated debt at ₹34,664 crore as on March 31, 2024, owing to high debtors and support extended to Yerasmus thermal project under a joint venture (JV), Raichur Power Corporation Limited (RPCL). The company is also exposed to execution and funding risk associated with under construction projects. The company plans to incur capital expenditure for Sharavathy pumped storage hydro project and renovation and modernisation (R&M) of existing hydro assets.

However, ratings positively factor in the strong parentage of the company being 100% Government of Karnataka entity. The company has strategic importance in the power generation sector in Karnataka as evident from 26% share in the state's total installed capacity. Its entire generation portfolios tied up under long-term cost-plus power purchase agreements (PPAs) with Karnataka ESCOMs, ensuring visibility of regulated returns and partial protection from market and demand risks. The company also mitigate fuel risk through a combination of long-term FSAs, operational captive coal blocks, and imported coal arrangements, which mitigate supply-side vulnerabilities to large extent.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Satisfactory operational performance as reflected by plant availability factor (PAF) remaining above normative level ensuring full recovery of fixed charges on a sustained basis.
- Faster-than-expected deleveraging.
- Realisation of outstanding debtors in timely manner with realisation of debtors outstanding for over six months.
- Improvement in liquidity position and consequent reduction of reliance on the short-term debt.
- Improvement in debt coverage indicators including total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) to be lower than 6.0x.

#### Negative factors

- Further decline in operational performance of the company including lower-than-normative availability of the thermal and hydro plants.
- Further elongation in receivable cycle or deterioration in collections from DISCOMs and other counterparties.
- Overall gearing above 4.50x, leading to high financial risk profile.
- Deterioration in credit profile of Government of Karnataka (GoK) or change in support philosophy.

**Analytical approach:** Consolidated, factoring support from Government of Karnataka

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

Ratings have been assigned on a consolidated basis, incorporating financials of its JVs and wholly owned subsidiaries, where it holds a majority stake. Assessment also factors in strong operational and financial linkages with the GoK, including explicit guarantee extended by GoK for part of debt availed. Ratings further reflect KPCL's strategic importance to GoK and its critical role in power generation in Karnataka. Subsidiaries and JVs considered for consolidation are listed under Annexure 6.

**Outlook: Stable**

The stable outlook factors in continued support from GoK, which enables KPCL to refinance its debt obligations in a timely manner and maintain sufficient liquidity for timely repayment of debt obligations. The outlook also factors in low demand and tariff risks associated with its projects, owing to the presence of long-term PPAs under a cost-plus tariff structure and availability of long-term fuel supply agreements (FSAs) and substantial operational track record.

**Detailed description of key rating drivers:****Key weaknesses****Elevated receivables and high off-taker risk**

KPCL continues to face a structurally high debtor position, driven by persistent delays in payment realisation from the Karnataka ESCOMs. Receivables have consistently remained above annual revenues, peaking at 2.5x in FY22 and staying elevated at over 1.7x in FY24, reflecting the weak financial health and chronic payment delays of the off-takers. This has adversely impacted KPCL's cash flow predictability and resulted in increased reliance on working capital borrowings. While there is an improvement in receivable position with total receivable outstanding at ₹11,125 crore on standalone level, which continues to remain high.

**Stretched capital structure and coverage metrics**

KPCL's financial risk profile remains stretched, marked by elevated debt levels and moderate internal accruals. The company has extended support to its JV entity RPCL towards equity commitment and debt servicing in the past. As on March 31, 2024, KPCL's total debt increased to ₹34,664 crore against a tangible net worth of ₹8,967 crore, resulting in a high debt-equity ratio of 2.32x and gearing of over 3.9x, indicating limited financial flexibility. Loans & advances advance exposure to RPCL increased to ₹10,457 crore in FY24 (~116% of KPCL's net worth) and fully impaired equity of ₹2,648 crore, reflecting heightened credit and contingent risk. Although, in FY24 total debt to gross cash accruals (TD/GCA) improved to 19.7x (FY23: 48.4x) and interest coverage increased to 1.20x (FY23: 0.88x), aided by one-time revenue recognition towards wage-related O&M expenses, overall coverage indicators remain weak. TD/EBITDA at 8.25x in FY24 also indicates strained operational leverage. The company's large capex plans, in the backdrop of modest internal accruals, emphasise the funding pressure and underscore continued reliance on timely equity infusion from GoK.

**Large capex pipeline increases funding risk**

KPCL is undertaking a large-scale capital expenditure programme including the Sharavathy Pumped Storage Scheme, proposed Varahi Pumped Storage Scheme, Godhna Thermal Power Project, and significant investments in renovation & modernisation (R&M) works and Flue Gas Desulphurisation (FGD) installations at thermal plants. CARE Ratings Limited (CareEdge Ratings) notes that, per revised guidelines issued by the Ministry of Environment, Forest and Climate Change (MoEF&CC), all KPCL's thermal plants qualify as Class C thermal power stations, which are exempted from mandatory FGD installations. Scale of ongoing capex and its regulatory approval, and recovery through tariff, remain key monitorable.

Limited internal accruals, arising from delayed payments by ESCOMs and under-recovery of fixed charges, constrain the company's ability to fund the equity portion of capex. Increased dependence on debt funding may further elevate leverage and repayment obligations, particularly as several projects involve long gestation periods and inherent risks of time and cost overruns. In the absence of adequate funding visibility or timely financial support from GoK, the capex programme may exert pressure on KPCL's financial and liquidity profile. Timely financial closure phased project implementation, and equity infusion from GoK will remain critical credit monitorable.

**Operational efficiency challenges in thermal units**

KPCL's thermal generation portfolio continues to face significant operational challenges, with persistent inefficiencies across key performance indicators. Most units have recorded PAF below the normative benchmark of 85%, resulting in under-recovery of fixed charges owing to factors including old units or low-quality coal. Station heat rates (SHR) and auxiliary consumption are higher than the normative. Notably, RTPS Unit 1 remained non-operational for two consecutive years, generating no revenue.

These operational shortcomings have constrained cost recovery under the regulated tariff mechanism, increasing dependence on short-term borrowings and regulatory interventions. Without material improvement in operational metrics, KPCL's financial flexibility is expected to remain under pressure.

#### **Under recovery of fixed charge in the thermal plants**

Fixed charge recovery has been adversely impacted by sub-normative availability in the thermal segment. Fixed charges recovery from thermal plants declined from 71% in FY23 to 66% in FY24, with a partial improvement to 79% in FY25. As recovery of fixed charges is linked to achieving normative PAF of 85%, continued operational underperformance weighed on profitability and cash flow visibility. In contrast, KPCL's hydro portfolio has demonstrated consistently strong performance, achieving full or near-full fixed charge recovery in FY23-FY25. Key stations such as Sharavathy, Kali, Varahi, Almatti, Gerusoppa, and Kodasalli have regularly surpassed normative PAF levels and delivered satisfactory generation relative to design energy, supporting stable revenue even in low inflow years. While the hydro segment contributes a lower proportion of fixed charges due to the ageing asset base, its dependable performance offers partial cash flow stability and offsets some of the volatility from the thermal operations.

#### **Key strengths**

##### **Strong government ownership and strategic importance**

KPCL is a 100% GoK owned entity, operating ~9.1 GW ~26% of the state's installed capacity, including the entire hydro capacity. GoK provides critical support through sovereign guarantees and subsidy payment directly to KPCL on behalf of ESCOMs, underpinning KPCL's financial stability and reinforcing its strategic role in the state's power sector. Government of Karnataka has provided the support through equity support of ~₹500 crore in the last four years and provided guarantee on ₹7789 crore debt, which translates to ~26% of total outstanding debt as on March 31, 2025 (Provisional). KPCL is receiving timely subsidies from the government on behalf of the ESCOMs. Government has directly remitted the subsidy of ₹5894 crore and ₹2899 crore in FY24 and FY25 respectively.

##### **Long-term PPA mitigates demand risks**

All KPCL's thermal and hydro capacity is secured under long-term cost plus PPAs with Karnataka ESCOMs, governed by KERC's two-part tariff structure. This provides recovery of both capital costs and fuel linked energy charges, subject to achieving normative PAF.

##### **Diversified and secured coal sourcing**

KPCL has largely mitigates its fuel risk security through FSAs with SCCL, MCL, and WCL for RTPS, BTPS, and YTPS and the operational captive blocks (Baranj I-IV, Manoradeep, Kiloni). KPCL has been allotted additional coal blocks of Mandakini in Odisha, which is under development. The company can import coal to meet higher requirement for strategic blending and enhancing operational flexibility and thermal efficiency.

##### **Liquidity: Stretched**

KPCL's cash flow from operations has remained weak due to subdued operating profitability and rising receivables. This has led to increased leverage in the past, as the company relied on additional borrowings to bridge cash flow mismatches, resulting in a higher total debt burden. Average utilisation of fund-based working capital limits remained elevated at 87% for 12 months ended March 2025, and the company had a minimal cash balance of ₹180 crore as of March 31, 2025. KPCL benefits from financial flexibility owing to its government ownership, which enables easier access to bank funding. Its short-term borrowings and overdraft facilities have been availed at competitive interest rates and margins. However, the projected gross cash accruals for FY25 are inadequate to meet debt repayment obligations, indicating a need for financial support from GoK. Consequently, KPCL is expected to depend significantly on equity infusion, capital grants, subsidies, and term loans to meet both its capital expenditure and operating requirements.

## Applicable criteria

[Consolidation & Combined Approach](#)  
[Policy on Default Recognition](#)  
[Notching by Factoring Linkages with Government](#)  
[Financial Ratios – Non financial Sector](#)  
[Issuer Rating](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)  
[Rating of Short Term Instruments](#)  
[Infrastructure Sector Ratings](#)  
[Solar Power Projects](#)  
[Thermal Power](#)  
[Wind Power Projects](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

KPCL is a GoK-owned utility, responsible for power generation in Karnataka. Established in 1970, KPCL is operating a diverse portfolio of power plants that include thermal, hydroelectric, solar, and wind facilities having total installed generation capacity of ~9.1 GW. KPCL supplies electricity primarily to Karnataka's state distribution companies under long-term power purchase agreements. KPCL's exposure to fuel supply risk is significantly mitigated through a diversified coal sourcing strategy comprising long-term FSAs, captive coal mines, and imported coal arrangements.

Brief Financials (Consolidated) (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	9,419	13,025
PBILDT	1,918	3,746
PAT	277	1,030
Overall gearing (times)	4.23	3.87
Interest coverage (times)	0.65	1.07

A: Audited; Note: 'these are latest available financial results' analytically adjusted under CARE Ratings'. Further, Sale of fly ash, pond ash & rejects is reclassified under operating income for analysis purpose.

### Status of non-cooperation with previous CRA:

KPCL was previously rated by ICRA Rating agency for the rating of bank facilities, KPCL has not cooperated with ICRA, which moved it to Issuer Not Cooperating' category by Press Release dated March 24, 2025. Presently, KPCL rating with ICRA is denoted as [ICRA] B+ (Stable) ISSUER NOT COOPERATING/[ICRA]A4; ISSUER NOT COOPERATING.

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	Aug 2051	18727.05	CARE BB+; Stable
Fund-based - LT/ ST-Term loan		-	-	NA	8400.45	CARE BB+; Stable / CARE A4
Fund-based - LT/ ST-Working Capital Demand loan		-	-	-	5700.00	CARE BB+; Stable / CARE A4
Fund-based - LT/ ST-Working Capital Limits		-	-	-	978.50	CARE BB+; Stable / CARE A4
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE BB+; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	194.00	CARE BB+; Stable / CARE A4

NA: Not applicable

**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	Issuer Rating-Issuer Ratings	LT	0.00	CARE BB+; Stable				
2	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST	5700.00	CARE BB+; Stable / CARE A4				
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	194.00	CARE BB+; Stable / CARE A4				
4	Fund-based - LT-Term Loan	LT	18727.05	CARE BB+; Stable				
5	Fund-based - LT/ ST-Term loan	LT/ST	8400.45	CARE BB+; Stable / CARE A4				
6	Fund-based - LT/ ST-Working Capital Limits	LT/ST	978.50	CARE BB+; Stable / CARE A4				

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-Term Loan	Simple
2	Fund-based - LT/ ST-Term loan	Simple
3	Fund-based - LT/ ST-Working Capital Demand loan	Simple
4	Fund-based - LT/ ST-Working Capital Limits	Simple
5	Issuer Rating-Issuer Ratings	Not applicable
6	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Raichur Power Corporation Limited	Proportionate	Joint Venture
2	KPC Gas Power Corporation Limited	Full	Wholly owned subsidiary

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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