GMR Kamalanga Energy Limited

December 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,659.14* (Reduced from 3,146.71)	CARE A-; Stable	Upgraded from CARE BBB; Stable
Long-term bank facilities	2,970.00*	CARE A-; Stable	Assigned
Short-term bank facilities	479.70	CARE A2	Upgraded from CARE A3

Details of instruments/facilities in Annexure-1.

*The amount rated comprises existing term loan of ₹2,449.39 crore and proposed term loan of up to ₹2,970 crore. At point in time, only one of these term loans would be outstanding.

Rationale and key rating drivers

The rating upgrade on bank facilities of GMR Kamalanga Energy Limited (GKEL), which is operating a 1050 MW thermal power plant in Odisha factors in favorable resolution of both tariff issues, from which the company previously had under-recoveries and favorable legal verdict in company's dispute with its engineering, procurement, and construction (EPC) contractor.

CARE Ratings Limited (CareEdge Ratings) takes a note of the Hon'ble Supreme Court of India (SC) order dated September 08, 2025, in favour of GKEL on the dispute regarding fuel cost pass-through (CPT) mechanism against power purchase agreement (PPA) counterparties, GRID Corporation of Odisha Limited (GRIDCO) and Haryana discoms. The dispute pertains to supply of power utilising coal from Coal India Limited (CIL) through fuel supply agreements (FSA) compared to reliance on costlier coal via SHAKTI scheme, e-auction, or imported coal. Discoms withheld payments to GKEL corresponding to higher coal cost, which led to buildup of regulatory receivables. The dispute has now been resolved in favour of GKEL and the company has recovered ~₹1,083 crore (excluding tax deducted at source [TDS]) from Haryana discoms in November 2025. While payments from GRIDCO are yet-to-be-recovered, the management is confident of realising them in the near term, given the favourable legal verdict. As a result, liquidity improved significantly as reflected by cash and bank balances of ₹1,345 crore as on November 17, 2025, including debt service reserve account (DSRA) as stipulated under existing sanction terms. The resolution of CPT dispute is expected to reduce under-recovery in fuel cost and improve operating cashflows by ₹70-80 crore on an annual basis, aiding the company's debt coverage metrics. Debt coverage indicators are expected to be comfortable with average debt service coverage ratio (DSCR) above 1.3x for the existing loan. CareEdge Ratings also notes that the company plans to refinance its existing debt while availing a top-up facility of ~₹500 crore. However, overall cost of borrowings is expected to decline by ~200 bps. In CareEdge Ratings' view, benefit of the lower interest rate is likely to offset the impact of additional debt, resulting in coverage metrics remaining broadly in line with current levels. CareEdge Ratings also draws comfort from the adequate tail life of ~4 years available for either debt facilities.

The rating upgrade also factors in the SC judgement dated September 26, 2025, in favour of GKEL, pertaining to litigation with EPC contractor SEPCO Electric Power Construction Corporation (SEPCO) over execution delays prior to commissioning. GKEL had invoked the bank guarantee (BG) for delays and also withheld payments pertaining to the EPC work. The order has rendered SEPCO's claims legally unenforceable, eliminating a cumulative liability overhang of ~₹1,287 crore on GKEL's books. Fresh litigation in this matter will remain a key monitorable from a credit perspective.

The ratings continue to factor in presence of long-term/medium-term PPAs for 94% of installed capacity leading to revenue visibility. The company has signed PPAs with GRIDCO on cost plus basis for 263 MW and case I competitive bidding with Haryana discom for 335 MW, Bihar discom for 288 MW and Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) for 102 MW. The fuel price and availability risk is mitigated to a large extent by long-term FSAs with CIL and SHAKTI B-II for 3.6 MTPA and medium-term FSA under SHAKTI scheme for 0.6 MTPA, against annual requirement of 5.5 MTPA. Satisfactory availability of coal under FSA and reduction in landed coal prices under SHAKTI B-VIII(a), e-auction, and open market routes supported the company's credit profile. The ratings continue to factor in consistent operating performance with plant availability factor (PAF) of 90% in FY25 and 94% in H1FY26 (FY24: 87%) above normative levels of 85% leading to full recovery of capacity charges, and healthy plant load factor (PLF) above 80% (except 77% in FY23). The company has benefitted from high merchant realisations above ₹6 per unit since FY23.

However, the ratings are constrained due to GKEL's moderate financial risk profile with exposure to interest rate risk and leveraged capital structure, with total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) of ~4.1x at

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

FY25-end. Per CareEdge Ratings' assessment, TD/EBITDA is expected to remain sub-3.5x as on FY26-end in case the company continues with the existing debt. However, in case proposed refinancing goes through, TD/EBITDA would stand ~4.0x as on FY26-end but would moderate below 3.5x from FY27 onwards. The company is also exposed to counterparty credit risks given the weak-to-moderate credit profile of its counterparties, although receivable levels (excluding regulatory receivables) have moderated with improvement in payment track record of its customers. The ratings are also tempered by off-take and price risk associated with ~75 MW capacity (~7% of total installed capacity) being sold through merchant route.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Realisation of receivables (including regulatory receivables) from the off-takers resulting in improvement in the collection period to below 90 days on a sustained basis.
- Faster-than-expected deleveraging as reflected by improvement in TD/EBITDA to below 2.5x
- Actual generation and cash flows remaining above CareEdge Ratings' base case scenario resulting in improvement in coverage metrics.

Negative factors

- Material under-recovery of capacity charges or energy charges adversely impacting cash accruals and liquidity position of the company.
- Increase in TD/EBITDA to over 3.5x on a sustained basis.
- Decline in actual generation and cash flows resulting in moderation of average DSCR to below 1.2x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects GKEL's steady operational and financial performance backed by presence of long term PPAs and FSAs, operational performance in line with recent past and timely payment from off-takers.

Detailed description of key rating drivers:

Key strengths

Resolution of pending regulatory matters leading to improvement in liquidity position and debt coverage metrics
The project was originally envisaged with captive coal block allocation and domestic fuel supply agreement (FSA) from CIL linkage, basis which the company signed long-term PPAs with GRIDCO, Haryana, and Bihar discoms. However, the coal block was deallocated by SC and the company relied on costlier fuel via SHAKTI scheme, e-auction, and imported coal, which was passed on to discoms through fuel CPT mechanism. Each discom contested that cheaper coal from FSA should be utilised to supply power under its PPA on priority over other off-takers and withheld payments to GKEL, leading to buildup of receivables. Following a favourable order dated April 20, 2023, by the Hon'ble Supreme Court of India (SC) in the regulatory dispute with Bihar discoms, GKEL realised regulatory receivables of ₹~330 crore from FY24-FY25.

The dispute with GRIDCO and Haryana discoms has now been resolved in favour of GKEL vide SC order dated September 08, 2025, following which the company has received ~₹1,083 crore in November 2025, from Haryana discoms basis receivable position at June 2025-end. Liquidation of regulatory receivables pertaining to GRIDCO is expected in the near term. This recovery from Haryana has improved the company's liquidity position with cash and bank balances of ₹1,345 crore as on November 17, 2025 including DSRA as stipulated under existing sanction terms. Resolution of CPT dispute is expected to reduce the under recovery in fuel cost witnessed in the past and improve operating cashflows by ₹70-80 crore on an annual basis, aiding the company's debt coverage metrics. The recovery of pending receivables and full recovery of prospective billing will remain a key credit monitorable.

CareEdge Ratings also notes resolution of litigation with SEPCO, pertaining to invocation of BG for execution delays by SEPCO, vide a favourable SC judgement dated September 26, 2025, which has rendered SEPCO's claims legally unenforceable, eliminating a cumulative liability overhang of ~₹1,287 crore on GKEL's books. While fresh litigation in this matter will remain a key monitorable, the management has highlighted that no near-term impact is expected.

PPAs in place for ~93% of capacity provides good revenue visibility, merchant capacity yields healthy realisations
Of total generation capacity of 1,050 MW, GKEL has PPAs for ~93% capacity, of which PPAs of ~82% capacity are long-term PPAs. GKEL has long-term off-take agreements of 25 years from commercial operations date (COD) with GRIDCO (25% of

capacity) on cost-plus basis and with Haryana discoms (~31% of capacity) and Bihar discoms (~27% of capacity) through PTC India Limited (PTC) on case I competitive bidding basis. GKEL has tied up ~11% of its capacity with TANGEDCO for five years starting December 2022. Availability of PPAs for ~93% of power generation provides revenue visibility to GKEL, while balance capacity is being sold on merchant basis at healthy realisations of over ₹6.0/unit. The company received a letter of award (LoA) for a long-term (25 years) off-take agreement with Karnataka discoms for 100 MW at a levelised tariff of ₹5.78/unit effective from April 2027, mitigating the PPA renewal risk associated with its existing PPA with TANGEDCO.

Presence of FSAs for meeting fuel requirements under PPAs

Aggregate coal required to operate the plant at PLF of 85% is 5.5 million metric tonne per annum (MMTPA). Against this, GKEL has long-term FSAs with CIL and under SHAKTI B-II scheme for ~3.6 MTPA and medium-term FSA under SHAKTI scheme for 0.6 MTPA, which meet ~80% of GKEL's coal requirement. The balance requirement is being met through domestic e-auction coal with improved domestic coal availability, eliminating the company's dependence on imported coal. Annual contracted quantity (ACQ) materialisation under the FSAs has been over 95% for three years ended FY25. Landed coal cost supplied under SHAKTI B-VIII(a) and e-auction/open market has declined in recent years owing to adequate coal production, which improved the project's cost competitiveness. Presence of FSAs largely safeguards GKEL against fuel supply and fuel price risks.

Continued improvement in operational performance in FY25 and H1FY26

In FY25 and H1FY26, GKEL's PAF stood at ~90% and ~94%, respectively (FY24: ~87%), higher-than-normative level of 85%, which ensures full recovery of annual capacity charges for ~93% of the capacity tied up under PPAs. The PLF stood at ~86% in FY25 and H1FY26 (FY24: ~82%) owing to healthy power demand and high position in the merit order, considering the low power cost. GKEL achieved healthy realisations of over ₹6.0/unit for the ~7% capacity being sold on merchant basis, which has boosted its operating profitability margins.

Key weaknesses

Moderate financial risk profile with leveraged capital structure

The company's capital structure remains leveraged as evident from TD/EBTIDA of ~4.1x as on March 31, 2025. TD/EBITDA, which is expected to fall below 4x at FY26-end per existing debt servicing schedule, is expected to increase slightly post completion of the refinancing with higher debt. While the company has reported healthy EBITDA in the past, cash realisations have been lower owing to under-recoveries pertaining to fuel CPT dispute with off-takers. Cash realisation in future is expected to be healthy post resolution of disputes with Haryana and GRIDCO in September 2025. Debt coverage indicators are expected to be satisfactory with average debt service coverage ratio above 1.3x for the existing term loan.

CareEdge Ratings also notes that the company plans to refinance its existing debt while availing a top-up facility of ~₹500 crore. However, overall cost of borrowing is expected to decline by ~200 bps. In CareEdge Ratings' view, benefit of lower interest rate is likely to offset impact of additional debt, resulting in coverage metrics remaining broadly in line with current levels. CareEdge Ratings also draws comfort from the adequate tail life of ~4 years available for either debt facilities.

Counterparty credit risk resulting in an elongated working capital cycle

The company is exposed to counterparty credit risk owing to weak to moderate financial profile of the PPA counterparties. The company's collection cycle remained elongated as reflected by total outstanding receivables (including regulatory receivables and unbilled revenue) of ₹2,245 crore at H1FY26 end (FY25: ₹~2,126 crore). However, the company recovered ₹1,083 crore (including regulatory receivables and part of normal receivables) from Haryana discoms, which improved the company's liquidity position. Per the management, payment for regular billing has been timely in the past with discoms claiming rebate. Timely receipt of payments without deductions shall be a key rating monitorable.

Liquidity: Adequate

The company had cash and bank balance of ₹1,345 crore as on November 17, 2025, including DSRA as stipulated under existing sanction terms. The liquidity position has improved post receipt of ₹1,083 crore from Haryana discoms in November 2025. The management highlighted that surplus cash balance will be upstreamed to promoters, post refinancing transaction subject to lender's approval and meeting restricted payment conditions (RPCs).

The company has fund-based working capital limits of ~~₹210 crore average utilisation, of which stood at ~63% for 12 months ended September 2025. The company tied-up non-fund-based working capital limits of ~₹480 crore with the utilisation of ~62% in the same period. As articulated by the management, no significant change is expected in working capital utilisation going forward owing to the high cash balance in November 2025, which is earmarked for upstreaming to promoters.

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]
[Short Term Instruments]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

Incorporated in December 2007, GKEL is a special purpose vehicle (SPV) promoted by GMR Energy Limited (GEL), which is an operating-cum-holding company for all power projects of the GMR Group. GKEL has developed a 1,050 mega-watt (MW; 350 MW x 3 units) coal-based thermal power generation project at Kamalanga, Dhenkanal, Odisha. The project cost was initially estimated at ₹4,540 crore. However, subsequently there was a cost overrun of ₹1,979 crore, leading to final project cost of ₹6,519 crore. The project was funded through debt of ₹4,269 crore and equity of ₹2,250 crore (debt-to-equity ratio of 65.4: 34.6). The project achieved COD on April 2013 for Unit-I, November 2013 for Unit-II, and March 2014 for Unit-III.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	September 30, 2025 (UA)
Total operating income	2,754.04	2,747.67	1,362.30
PBILDT	902.87	876.12	427.11
PAT	296.14	301.70	628.39
Overall gearing (times)	3.66	2.64	NA
Interest coverage (times)	1.88	1.71	1.57

A: Audited UA: Unaudited; Brief financials have been adjusted per CareEdge 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 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-Term Loan		-	-	September 2034	2449.39	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	June 2036	2970.00	CARE A-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	209.75	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	June 2034	479.70	CARE A2

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	Fund-based - LT-Term Loan	LT	2449.39	CARE A-; Stable	-	1)CARE BBB; Stable (28-Nov-24)	1)CARE BBB-; Stable (29-Aug-23)	1)CARE BB; Stable (26-Aug-22)
2	Fund-based - LT-Working Capital Limits	LT	209.75	CARE A-; Stable	-	1)CARE BBB; Stable (28-Nov-24)	1)CARE BBB-; Stable (29-Aug-23)	1)CARE BB; Stable (26-Aug-22)
3	Non-fund-based - ST-BG/LC	ST	479.70	CARE A2	-	1)CARE A3 (28-Nov-24)	1)CARE A3 (29-Aug-23)	1)CARE A4 (26-Aug-22)
4	Fund-based - LT-Term Loan	LT	2970.00	CARE A-; Stable	-	-	-	-

LT: Long term; ST: 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-Working Capital Limits	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

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 for clarifications.

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About us:
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