

## M. P. Power Management Company Limited

April 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	2,300.00	CARE BB+; Stable	Reaffirmed
Short-term bank facilities	900.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation in ratings on bank facilities of M. P. Power Management Company Limited (MPPMCL), a Government of Madhya Pradesh (GoMP) undertaking for trading of power for distribution utilities of MP, continues to factors in the weak operational performance, characterised by high aggregate technical and commercial (AT&C) losses and high average cost of supply – average revenue realised (ACS-ARR) gap of the distribution utilities of MP, which are wholly owned by MPPMCL. The AT&C losses remained high at 25% in FY25 (PY: 27%) and 27% in H1FY26 (PY: 30%) on a consolidated basis owing to low billing efficiency of 78-80%. The ACS-ARR gap remained high at ₹0.47 per unit (PY: ₹0.49 per unit) attributed to limited tariff hikes in the past. Ratings continue to factor modest financial profile of the company characterised by low operating profitability, accumulated book losses, and high debt. Ratings continue to factor in the weak consumer mix, with ~40% of sales attributed to the agriculture segment leading to high subsidy dependence.

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 being the holding company of the three power distribution companies (discoms) of Madhya Pradesh – Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVV; rated CARE C; stable), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVV), and Madhya Pradesh Paschim Kshetra Vidyut Vitaran 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 subject to operational performance in line with normative parameters, such as T&D losses notified by Madhya Pradesh Electricity Regulatory Commission (MPERC).

### 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:** Consolidated; CareEdge 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. CareEdge 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 CareEdge Ratings' expectations of MPPMCL being able to maintain its AT&C losses at existing levels, its continuous dependence on state government support for tariff subsidies, and leveraged capital structure.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Weak operating performance

On a consolidated basis, MPPMCL's AT&C losses worsened from 20% in FY22 to 25% in FY25 (PY: 27%), primarily considering low billing efficiency of 78%-80% and collection efficiency of 94%-95%. The low billing efficiency is attributed to power theft, inadequate metering and pending dues from government departments. The discoms are taking steps to improve the operational

<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.

performance with initiatives, such as installation of prepaid smart metres under the Revamped Distribution Sector Scheme (RDSS) and system strengthening, which is expected to deliver results in the medium term. On a consolidated basis, the ACS-ARR gap of MPPMCL has remained high at ₹0.47 per unit in FY25 (₹0.49 per unit in FY24) owing to limited tariff hikes in the past and increase in power procurement cost in FY22-FY24 although the same declined marginally in FY25.

#### **Weak capital structure and debt coverage indicators**

MPPMCL's capital structure is weak with a negative net worth as on March 31, 2025, due to operating losses. The company has high debt levels and high utilisation of fund-based working capital limits in FY25 for funding its capex and working capital requirements. Out of the total outstanding debt of ₹31,856 crore as on March 31, 2025, ~60% of the loan is extended by GoMP (₹20,001 crore) as part of past bailout packages of discoms. The realisation of subsidy on timely basis has ensured timely debt servicing on external debt from banks/financial institutions as articulated by the management.

#### **Weak power regulatory framework**

MPPMCL faces significant regulatory risks associated with limited traffic hikes on a consolidated level leading to ACS-ARR gap. While regulatory orders are issued on a timely basis with last tariff order for FY26 issued in March 2025 and true-up order for FY24 issued in November 2024, the tariff hikes approved remained low at 3.46% for FY26 (PY: 0.07%), which is inadequate to cover the operating costs (primarily power procurement cost).

#### **Dependency on tariff subsidy from state government**

The company heavily relies on government subsidies owing to higher share of residential and agriculture consumers which are cross subsidized from commercial and industrial (C&I). In FY24 and FY25, the company received subsidies of ~₹26,859 crore and ₹26,796 crore, respectively, accounting for ~45% of revenue highlighting its dependence on such financial support.

#### **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 MP, 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 out the subsidy arrears from FY23 onwards.

##### **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 subject to normative parameters like T&D losses notified by MPERC. In case of higher actual costs incurred against approved cost, the company is required to submit a true-up petition for recovery of higher cost which are verified by MPERC and approved in future tariff hikes subject to operational performance in line with normative parameters. The T&D reported by the discoms have remained higher than approved T&D losses in the past except for MP Paschim discom (12.8% vs 13.4% approved by MPERC). In case of MP Madhya and MP Poorv, the T&D losses remained high at 27% and 26.7% against approved losses of 19.6% and 19.5%, respectively, leading to disallowance of costs in the past. Tariff orders issued by MPERC have generally been on time in the past.

##### **FCA mechanism, allowing pass-through of 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 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 FY25 against 133 days in FY24. The company has been delaying payments to the state-owned power generating company, Madhya Pradesh Power Generating Company Limited, for managing its working capital requirements and debt servicing. The current ratio stood below unity at FY25-end due to higher creditors. The average utilisation of fund-based working capital limits stood at ~75% for the last 12 months ended December 2025, with maximum utilisation of ~89%.

## 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

Macroeconomic 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.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	54,926	56,470
PBILDT*	(1,584)	128
Profit after tax (PAT)	(4,921)	(2,562)
Overall gearing (x)	(0.71)	(0.69)
Interest coverage (x)	(0.37)	0.03

A: Audited; UA: Unaudited; NM: Not meaningful; Financials have been adjusted per CareEdge Ratings' criteria.

\*PBILDT: Profit before interest, lease rentals, depreciation, and tax

**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-Cash Credit		-	-	-	920.00	CARE BB+; Stable
Fund-based - LT-Working Capital Demand loan		-	-	-	1380.00	CARE BB+; Stable
Non-fund-based - ST-Letter of credit		-	-	-	900.00	CARE A4+

**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 2026-2027	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
1	Fund-based - LT-Cash Credit	LT	920.00	CARE BB+; Stable	-	-	1)CARE BB+; Stable (07-Mar-25)	1)CARE BBB-; Stable (22-Feb-24)
2	Fund-based - LT-Working Capital Demand loan	LT	1380.00	CARE BB+; Stable	-	-	1)CARE BB+; Stable (07-Mar-25)	1)CARE BBB-; Stable (22-Feb-24)
3	Non-fund-based - ST-Letter of credit	ST	900.00	CARE A4+	-	-	1)CARE A4+ (07-Mar-25)	1)CARE A3 (22-Feb-24)

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-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 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	MP Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVV)	Full	Subsidiary
2	MP Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVV)	Full	Subsidiary
3	MP Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVV)	Full	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 for clarifications.

### Contact us

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