MB Power (Madhya Pradesh) Limited

November 28, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	6,000.70 (Reduced from 6,399.27)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Short-term bank facilities	149.00	CARE A2 (A Two)	Reaffirmed
Total bank facilities	**6,149.70 (₹ Six thousand one hundred forty-nine crore and seventy lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed rationale & key rating drivers

The reaffirmation of the ratings for the bank facilities of MB Power (Madhya Pradesh) Limited (MBPL) continues to draw comfort from low revenue risk by virtue of availability of long and medium-term power purchase agreements (PPAs) for 80.42% of gross capacity. The ratings continue to derive strength from the presence of fuel supply agreement (FSA) with South-Eastern Coalfields Ltd (SECL) assuring reasonable availability of linkage coal at competitive price. The ratings continue to factor stable operational performance characterised by healthy plant availability factor (PAF), plant load factor (PLF) for FY22 (refers to the period from April 01 to March 31) and Q1FY23 (refers to the period from April 01 to June 30) and healthy average realisation on sale of power on short-term basis during this period.

While CARE Ratings Limited (CARE Ratings) takes note of MBPL's inability to file its FY22 annual results and the time extension received from the Ministry of Corporate Affairs, MBPL's billing during FY22, which has been in line with CARE Ratings' projection, provides some comfort. Moreover, the outstanding debtors as on June 30, 2022 and the total debt level has also reduced from the level observed during the last review.

The ratings, however, continue to remain constrained by weak financial risk profile of its off takers. The ratings are further constrained by leveraged capital structure of the company in the medium term on account of flue gas de-suphurisation (FGD) capex envisaged by the company. The ratings take cognisance of the ongoing investigations by various agencies against Ratul Puri, the Chairman of the ultimate holding company of the group and any adverse outcome may impact the business and/ or financial risk profile of the company.

Rating sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Significant improvement in the credit profile of the off-takers leading to substantial improvement in the average collection period to below 90 days along with consistent payment track record
- Robust operational performance leading to higher-than-envisaged improvement in leverage and coverage metrics

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Substantially lower-than-normative PAF leading to lower capacity charge recovery
- Built-up of receivables beyond ₹1,400 crore on a sustained basis resulting in a stretched liquidity position
- Any materially adverse outcome of the ongoing investigations involving Ratul Puri having an adverse impact on the business and/or financial risk profile of the company

Detailed description of the key rating drivers

Key rating strengths

Low revenue risk with sales arrangement for majority of installed capacity:

MBPL has a long-term PPA for 360 MW with MP Power Management Company Limited (MPPMCL) at Central Electricity Regulatory Commission-determined tariff for 20 years and 60 MW to the Government of Madhya Pradesh (GoMP) at variable cost for the life of the project. MBPL has also signed a 25-year PPA with PTC India Limited (PTC, which has signed a back-to-back PPA with UPPCL) for 385 MW.

In May 2022, MBPL also entered into PPA for capacity of 150 MW (net capacity) for a period of three years with PTC (which has signed a back-to-back PPA with Haryana discom). The remaining capacity remains untied, power generated from which is being

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

sold on short-term basis. The company has demonstrated healthy volume sales and realisation on short-term basis, driven by strong demand.

Reasonable fuel tie-up through FSA:
MBPL has FSA with SECL for supply of linkage coal. Moreover, the availability of coal under Scheme for Harnessing and Allocating Koyala Transparently in India (SHAKTI) mitigates the fuel supply risk for the project to a large extent. In FY22, 93% of the coal requirement of MBPL was met through linkage source whose share has reduced in Q1FY23. The price of linkage/ e-auction has remained higher than CARE Ratings' estimate for FY22 and Q1FY23. Comfort is drawn from the fact that its PPA with MP discoms has fuel cost pass-through mechanism while the power sold on ST basis has demonstrated higher-than-envisaged realisation.

Stable operational performance:
MBPL posted higher-than-normative PAF ensuring full recovery of capacity charges for FY22 and Q1FY23. PLF during the period remained higher than CARE Ratings' previous estimate due to higher demand. The average realisation on merchant market remained firm, aiding revenue and margin.

Liquidity – Adequate
While the collection from the weaker off-taker has been fairly timely, collection from the Haryana discom/ ST basis has been relatively prompt, aiding the liquidity profile of the company. The average month-end utilisation in the fund-based working capital limit for the last 12 months ended July 2022 was 41%. The company continues to maintain Debt Service Reserve Account (DSRA) of two quarters for its debt servicing amounting to ₹440 crore as on November 21, 2022.

Key rating weaknesses
Significant counterparty credit risk, while collection remained stable:
Around 32% and 35% of the total capacity of MBPL is tied up with UP and MP discoms respectively, both of which have a relatively weak financial profile. Yearly collection from the UP and MP discoms continued to remain satisfactory in FY22. The overalll collection remained stable aided by timely collection from the Haryana discom and from short-term off-takers. Total receivables stood at ₹821 cr as on June 30, 2022 (with no debtor more than 150 days).

Leveraged capital structure; expected to remain elevated in the medium term due to capex:
MBPL's capital structure continues to remain leveraged on account of accumulated losses in the past. Total debt/PBILDT is expected to remain elevated in the medium term on account of FGD capex envisaged to be incurred by the company. The management cited that financial closure has been achieved and financial progress is about 12%.

Industry risk:
The base and peak demand is expected to maintain increasing growth in FY23, driven by higher industrial and commercial activities, digitalisation and electric transportation. Thermal power has continued to be the mainstay in supply evidenced by receipt of higher schedule as well as brisk sale of power on a short-term basis. Lag in coal production/transportation to match up the high consumption level along with higher peak demand has firmed up merchant rates, which augurs well for plants with untied capacity. There are numerous and inter-connected challenges for the sector. The sector is expected to witness FGD capex of around ₹1 lakh crore in the medium term where the progress in terms of financial closure and project implementation have been slow. Moreover, the payables of the discoms have continuously increased over the past. Till the time structural changes are successfully implemented for the discoms, the power generation companies (gencos) are expected to have high working capital requirement.

Environment, social, and governance (ESG) profile: The moderate ESG risk of MBPL is offset through its on-going FGD initiatives to some extent.

Analytical approach: Standalone
Applicable criteria
Rating Outlook and Credit Watch
Definition of Default
Short Term Instruments
Infrastructure Sector Ratings
Financial Ratios – Non financial Sector
Power Generation Projects
Liquidity Analysis of Non-financial sector entities
Thermal Power

About the company

MBPL is a subsidiary of Hindustan Thermal Projects Limited (HTPL) which in turn is a subsidiary of Hindustan Power Projects Private Limited (HPPL) – the flagship entity of Hindustan Power group promoted by Ratul Puri. MBPL has set up a 1,200 MW (2 x 600MW) coal-based sub-critical thermal power plant in District Anuppur, Madhya Pradesh, of which 600 MW (Unit I) had become operational in May 2015. Synchronisation of the unit II was done in March 2016; however, the unit-II was temporarily shut down on account of an accident in the boiler in May 2016. Necessary repairs had been carried out and the unit-II has been re-commissioned in May 2017. The management team of the company comprises senior professionals with more than two decades of experience in the power sector.

Brief Financials (₹ crore)	FY20 (A)	FY21 (A)	H1FY23 (UA)
Total operating income	2,766.89	2758.98	NA
PBILDT	1,191.73	1,152.55	NA
PAT	10.05	211.67	NA
Overall gearing (times)	4.08	3.20	NA
Interest coverage (times)	1.52	1.64	NA

A: Audited || UA: Un-audited || NA: Not available

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	901.00	CARE BBB+; Stable
Non-fund-based - LT-Bank guarantee	-	-	-	415.70	CARE BBB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	149.00	CARE A2
Non-fund-based-Long term	-	-	-	130.00	CARE BBB+; Stable
Term loan-Long term	-	-	March 2028	683.00	CARE BBB+; Stable
Term loan-Long term	-	-	April 2034	3871.00	CARE BBB+; Stable

Annexure-2: Rating History of 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Term loan-Long term	LT	3871.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (01-Sep-21)	1)CARE BBB-; Stable (26-Mar-21) 2)CARE BB+; Stable (22-Sep-20) 3)CARE BB; Stable (29-Jun-20)	1)CARE BB; Negative (04-Sep-19) 2)CARE BBB-; Negative (13-Aug-19) 3)CARE BBB+; Negative (19-Jul-19) 4)CARE BBB+; Stable (15-May-19)
2	Non-fund-based - LT-Bank guarantee	LT	415.70	CARE BBB+; Stable	-	1)CARE BBB+; Stable (01-Sep-21)	1)CARE BBB-; Stable (26-Mar-21) 2)CARE BB+; Stable (22-Sep-20) 3)CARE BB; Stable (29-Jun-20)	1)CARE BB; Negative (04-Sep-19) 2)CARE BBB-; Negative (13-Aug-19) 3)CARE BBB+; Negative (19-Jul-19) 4)CARE BBB+; Stable (15-May-19)
3	Fund-based - LT-Cash credit	LT	901.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (01-Sep-21)	1)CARE BBB-; Stable (26-Mar-21) 2)CARE BB+; Stable (22-Sep-20) 3)CARE BB; Stable (29-Jun-20)	1)CARE BB; Negative (04-Sep-19) 2)CARE BBB-; Negative (13-Aug-19) 3)CARE BBB+; Negative (19-Jul-19) 4)CARE BBB+; Stable (15-May-19)
4	Non-fund-based - ST-Letter of credit	ST	149.00	CARE A2	-	1)CARE A2 (01-Sep-21)	1)CARE A3 (26-Mar-21)	1)CARE A4 (04-Sep-19)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
							2)CARE A4+ (22-Sep-20) 3)CARE A4 (29-Jun-20)	2)CARE A3 (13-Aug-19) 3)CARE A3+ (19-Jul-19) 4)CARE A2 (15-May-19)
5	Non-fund-based-Long term	LT	130.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (01-Sep-21)	1)CARE BBB-; Stable (26-Mar-21) 2)CARE BB+; Stable (22-Sep-20) 3)CARE BB; Stable (29-Jun-20)	1)CARE BB; Negative (04-Sep-19) 2)CARE BBB-; Negative (13-Aug-19) 3)CARE BBB+; Negative (19-Jul-19) 4)CARE BBB+; Stable (15-May-19)
6	Term loan-Long term	LT	683.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (01-Sep-21)	1)CARE BBB-; Stable (26-Mar-21) 2)CARE BB+; Stable (22-Sep-20) 3)CARE BB; Stable (29-Jun-20)	1)CARE BB; Negative (04-Sep-19) 2)CARE BBB-; Negative (13-Aug-19) 3)CARE BBB+; Negative (19-Jul-19) 4)CARE BBB+; Stable (15-May-19)

*Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - LT-Bank guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple
4	Non-fund-based-Long term	Simple
5	Term loan-Long term	Simple

Annexure 5: Bank lender details for this company
To view the lender-wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications

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About us:
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