

Press Release

Odisha Coal and Power Limited

28 March, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 1189.92 (Enhanced from Rs. 653.92 Cr.)
Long Term Rating	SMERA BBB-/Stable
Short Term Rating	SMERA A3

**Refer annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.653.92 crore bank facilities of Odisha Coal and Power Limited (OCPL). The outlook is '**Stable**'.

Further SMERA has assigned the long term rating of SMERA BBB-/Stable on the Rs. 536.00 crore bank facilities of Odisha Coal and Power Limited (OCPL).

Odisha Coal and Power Limited (OCPL) incorporated in January 2015 is a joint venture of Odisha Power Generation Corporation Limited (OPGC) (51%) and Odisha Hydro Power Corporation Limited (OHPC) (49%). Government of Odisha holds 51% stake in OPGC and OPGC holds 100% equity in OHPC. OCPL's board comprises nominees from OPGC and OHPC. Dr. Kshirod Chandra Brahma, is the CEO of OCPL.

OCPL is in the process of executing a project for development of coal blocks of Manoharpur and Dip side of Manoharpur in Odisha. The commercial operations are expected to commence from the first quarter of FY2019.

Key rating drivers

Strengths

Ongoing support from Government of Odisha

Odisha Coal and Power Limited (OCPL) incorporated in 2014 is a joint venture of OPGC and OHPC. OCPL has undertaken a project for coal block development at Manoharpur and Dip side of Manoharpur.

OCPL will have strong linkages with OPGC and OHPC since OCPL will be the prime source of fuel for OPGC's expansion power projects (2 x 660MW for phase II) and (2 x 660MW for phase III). The requirement of coal for phase II and phase III expansion will be met from Manoharpur and Dip side of Manoharpur block. The commercial date of operation for phase II of OPGC is September, 2018 and for phase III is March 2019. OCPL is in the process of entering into off-take arrangement with OPGC. While the contents of the off take arrangement are being worked at, it is expected that the cashflows from the operations will be commensurate with the operational and financial commitments of OCPL.

SMERA believes that OCPL will continue to receive financial and operational support from Government of Odisha (GoO) owing to the strategic importance of this company to Odisha's power initiative. Any changes in the Government of Odisha's credit profile and that of OPGC will be a key rating sensitivity.

Weaknesses

Risks associated with project implementation

The company has undertaken a project for development of two coal blocks i.e. Manoharpur and Dipside Manoharpur of 531 MT of coal reserves. Originally, the above two coal mines were allocated to OPGC and subsequently cancelled by Supreme Court in its judgment in September 2014. The coal mines have been subsequently allotted to OCPL through the allotment process as per the Coal Mines (Special Provisions) Act, 2015 to supply coal exclusively to OPGC expansion project of 4 x 660 MW.

The total project cost is around Rs. 1382 crore out of which Rs. 686.57 crore have been incurred as on February 2018. OCPL's equity contribution is Rs. 300 crore as on February 2018 and the remaining Rs. 386.57 crore was funded by a term loan from the bank. The balance amount of Rs. 536 crore has been funded through term loan. The expected commercial date of operation is first quarter of May, 2019. The entire project funding has been done and hence the company faces a moderate offtake risk. Any delay in implementation of the expansion project of OPGC and lower than expected off take from the projects will have an impact on the revenues and cashflows.

SMERA believes that the credit profile can be affected by delays in project implementation and off take arrangements.

Analytical approach: SMERA has considered the standalone view of the above entity. The rating has been notched up based on the ongoing support from GoO to OCPL.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- State Government Support: - <https://www.smera.in/criteria-gov.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Outlook – Stable

SMERA believes that OCPL will maintain a stable outlook on account of its association with Government of Odisha, continued financial and operational support from GoO and OPGC. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability while maintaining financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to delay in implementation of the project, higher than expected capital requirements or lack of funding support from Group companies.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
04-01-2018	Term loan I	LT	500.00	SMERA BBB-/Stable (Assigned)
	Bank Guarantee	ST	153.92	SMERA A3 (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Term loan I	Not Applicable	Not Applicable	Not Applicable	500.00	SMERA BBB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	153.92	SMERA A3 (Reaffirmed)
Term loan II	Not Applicable	Not Applicable	Not Applicable	536.00	SMERA BBB-/Stable (Assigned)

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ABOUT SMERA

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