



Press Release
ODISHA POWER GENERATION CORPORATION LIMITED
March 12, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	500.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	100.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	600.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to ‘**ACUITE A-**’ (read as **ACUITE A minus**) and short term rating to ‘**ACUITE A1**’ (read as **ACUITE A one**) on the Rs. 600.00 crore bank facilities of Odisha Power Generation Corporation Limited (OPGCL). The outlook remains ‘**Stable**’.

Rating Rationale for Reaffirmation

The scale of operations has declined to Rs. 4102.63 Cr. in FY2024 from Rs.5291.31 Cr. in FY2023 primarily due to reduced coal realizations as well as revised tariff rates and lower realizations. Further, the group has achieved Rs.2448 Cr. till September 2024. PAF and PLF improved for OPGCL’s unit 3&4 in FY2024 to 80.51% and 80.15% respectively against 78% and 77% in the previous year respectively. Further, financial risk profile continues to remain moderate marked by significant improvements in networth, improving gearing and low debt coverage indicators. There are various debt funded capex plans and so the financial risk profile needs to be monitored.

The liquidity position is marked adequate as reflected by healthy cash accrual generation against the maturing debt repayment obligations. Prepayments of loans have been made by Odisha Coal and Power Limited (OCPL) in both FY23 and FY24. The ratings continue to reflect the group’s strategic importance and strong linkage with State government of Odisha. The group has low offtake risk because of Power Purchase Agreement with Grid Corporation of Odisha Limited (GRIDCO) and Fuel Supply Agreements. However, the rating strengths are partially offset by the high working capital management and regulatory risk.

About the Company

Bhubaneswar, Orissa based, Odisha Power Generation Corporation Limited was incorporated by the Government of Orissa in 1984. The company generates and makes bulk supply of power by establishing, operating & maintaining power generating stations. Mrs. Manasa Ranjan Rout, Mrs. Hrudaya Kamal Jena, Mr. Sariputta Mishra, Mr. Yudhisthir Nayak, Mrs. Suchitra Pal, Mr. Vishal Kumar Dev, Mr. Narendra Nath Misra, Mr. Krushna Chandra Samal are directors of the company. The company had set up two units of 210 MW thermal power station at Banaharpalli (IB Thermal Power Station) in the district of Jharsuguda in December 1994 (unit 1) and June 1996 (unit 2). Since its inception the company has been making profits from unit 1 & 2. Power Plant is located at IB-Thermal Power Station, Banaharpalli, Jharsuguda, Odisha with Installed capacity of 660MW each for units 3&4 (July 2019 and August 2019).

About the Group

Bhubaneswar, Orissa based, Odisha Coal and Power Limited was incorporated in 2015. It is a joint venture of Odisha Power Generation Corporation Limited having 51% shareholding and Government of Orissa having 49% shareholding. The company is engaged in mining and extracting coals for supplying to Thermal Power Plants of Odisha Power Generation Corporation Limited. Mrs. Sariputta Mishra, Mrs. Manasa Ranjan Rout, Mr. Sambit

Parija, Mr. Vishal Kumar Dev, Mr. Satya Priya Rath, Mr. Sailendra Dwivedi, Mrs. Lipsa Das are directors of the company.

Unsupported Rating

ACUITE BBB/Stable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the financial and business risk profile of Odisha Power Generation Corporation Limited and Odisha Coal and Power Limited. The consolidation is on account of Odisha Coal and Power Limited being a 51% subsidiary of Odisha Power Generation Corporation and Odisha Coal and Power Limited being incorporated to cater to the coal needs of Odisha Power Generation Corporation Limited for Unit 1, 2, 3 & 4 and for its upcoming Unit 5 & 6 through the coal mines of Manoharpur and Dip-side of Manoharpur block. OPGCL has given corporate guarantee to OCPL in terms of financial assistance.

Key Rating Drivers

Strengths

Strategically important entity to Government of Odisha

The group is strategically important for the power sector infrastructure in the state of Odisha. OPGCL is also one of the key entities for undertaking power generation activity in the state of Odisha other than Odisha Hydro Power Corporation Limited (OHPCL). The status of being a government-owned entity provides adequate financial flexibility. OPGCL's credit profile is also supported by its access to funds at low cost and its ability to mobilize financial resources from several financial institutions and multilateral development institutions. The rating also factors regular equity infusion by GoO in OPGCL. Odisha has been one of the fastest growing states in India with a low debt to gross state domestic product. The GoO has significantly increased its focus on increasing industrial development in the state. It is also focusing on asset creation towards infrastructure and social sectors. Acuite believes that OPGCL shall continue to benefit from the financial, operational, and managerial assistance received from GoO from time.

Low offtake risk

OPGCL has signed power purchase agreements with GRIDCO Ltd. In Odisha, GRIDCO (state owned power transmission company) is engaged in the business of bulk purchase and bulk sale of power to the four DISCOMs and trading of surplus power. It is based on a two-part tariff structure for sale of the entire power generated. Regular maintenance of the power stations has enabled OPGCL to consistently maintain plant availability factor higher than the normative level of 68.49 per cent (as defined in the PPA), thus leading to full recovery of fixed costs.

In addition, OCPL has signed fuel supply agreement with OPGCL regarding sale of extracted coal from Manoharpur coal mines. Acuite believes the scale of operation is likely to improve in the medium term driven by rise in mining activity in OCPL and rise in overall plant load factor in power plants. OPGCL also has a fuel supply agreement (FSA) with Mahanadi Coalfields Limited (MCL) which ensures a steady supply of raw material to units 1&2. Acuite believes the offtake agreements provide comfortable revenue visibility over the medium term.

Moderate Financial Risk Profile

The financial risk profile of the group remained moderate marked by growth in networth, comfortable gearing and low debt protection metrics. The networth of the group stood at Rs.5314.19 Cr. in FY24 as against Rs.4844.99 Cr. in FY23 due to accretion of reserves. Additionally, there was an equity infusion by OPGCL of Rs.412.08 Cr. in FY24 for projects. The gearing improved to 1.36 times in FY24 from 1.70 times in FY23. OCPL made significant prepayments of Rs. 271 Cr. in FY2022-23 and Rs. 100 Cr. in FY2023-24. The debt protection metrics of the group is low marked by Interest coverage ratio (ICR) of 2.89 times and debt service coverage ratio (DSCR) of 1.40 times for FY2024. Acuite believes that the financial risk profile will remain moderate over the medium term, supported by steady accruals and moderate capital structure.

Weaknesses

Decline in scale of operations

The operating income of the group stood at Rs.4102.63 Cr. in FY24 as against Rs.5291.31 Cr. in FY23. The operating margin stood at 46.51 percent in FY24 as against 61.28 percent in FY23. The decline was due to reduced coal realizations and change in tariff rates from Rs.3.86/unit to Rs.3.80/unit. Further, the group has achieved Rs.2447.83 Cr. till September 2024. The PAT margin stood at 16.27 percent in FY24 as against 31.07 percent in FY23. Acuite believes the scale of operation is likely to improve in the medium term driven by rise in mining activity in OCPL and rise in overall plant load factor in power plants.

Intensive working capital cycle

The group has intensive working capital cycle as reflected from Gross Current Asset (GCA) days of 175 days in FY24 as against 145 days in FY23. The inventory days stood at 49 days in FY24 as against 41 days in FY23. OPGCL stores coal and oil for 45 days and 2 months respectively. The debtor days stood at 105 days in FY24 as against 85 days in FY23. The credit terms for OPGCL from OCPL is a credit period of 1 month and another 15 days available. The creditor days stood at 71 days in FY24 as against 79 days in FY23. The credit terms for OPGCL are on advance basis and varies based on the contract but generally of 15-30 days. Acuite believes working capital requirement is likely to remain similar over the medium term.

Exposure to Regulatory Risks

GRIDCO is the sole counterparty for OPGCL's power output and is directly exposed to the health of the Odisha discoms. Thus, OPGCL's collection efficiency largely depends on state of the power sector in Odisha. However, these risks are mitigated by presence of a robust two-tier payment security mechanism comprising a letter of credit and an escrow mechanism, which has led to timely realization from discoms.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

Acuite takes into consideration the benefit derived by OPGCL from the 100% ownership of Government of Odisha.

Stress Case Scenario

While the rating has been derived on the consolidated credit risk profile and cash flows of the group, Acuite believes given the 100% holding of Govt of Odisha; in case of any stress case scenario, the required support would come from the state of Odisha.

Rating Sensitivities

- Movement in scale of operations along with margins
- Working capital cycle
- Capital structure

Liquidity Position Adequate

Odisha group has adequate liquidity marked by net cash accruals of Rs. 1031.78 Cr. in FY24 as against debt obligation of Rs.592.99 Cr. over the same period. OCPL made significant prepayments of Rs. 271 Cr. in FY2023 and Rs. 100 Cr in FY2023-24. The cash and bank balance stood at Rs. 88.30 Cr. for FY 2024. Further, the current ratio of the company stood moderate at 1.18 times in FY2024 as against 0.92 times in FY23. The group has intensive working capital cycle as reflected from Gross Current Asset (GCA) days of 175 days in FY24 as against 145 days in FY23. The bank limit of OPGCL has been 81 percent for non-fund based utilized for the last seven months ended in October 2024. Acuite believes that the liquidity of the group is likely to improve over the medium term.

Outlook : Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	4102.63	5291.31
PAT	Rs. Cr.	667.29	1644.23
PAT Margin	(%)	16.27	31.07
Total Debt/Tangible Net Worth	Times	1.36	1.70
PBDIT/Interest	Times	2.89	4.48

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jan 2025	Cash Credit	Long Term	500.00	ACUITE A- Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	35.41	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	64.59	ACUITE A1 (Reaffirmed)
02 May 2024	Cash Credit	Long Term	500.00	ACUITE A- Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	66.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	34.00	ACUITE A1 (Reaffirmed)
22 Mar 2024	Cash Credit	Long Term	500.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Short Term Bank Facility	Short Term	66.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	34.00	ACUITE A1 (Upgraded from ACUITE A2+)
23 Dec 2022	Proposed Short Term Bank Facility	Short Term	68.30	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	31.70	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	500.00	ACUITE BBB+ Stable (Reaffirmed)
15 Nov 2022	Proposed Short Term Bank Facility	Short Term	68.30	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	31.70	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	500.00	ACUITE BBB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	64.59	Simple	ACUITE A1 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	500.00	Simple	ACUITE A- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.41	Simple	ACUITE A1 Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	Odisha Coal and Power Limited.
2	Odisha Power Generation Corporation Limited
3	Government of Odisha

Contacts

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About Acuité Ratings & Research

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