

Press Release

Lanco Anpara Power Limited

October 14, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 2840.00 Cr
Long Term Rating	ACUITE BB+/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 2840.00 Crore bank facilities of Lanco Anpara Power Limited. The outlook is '**Stable**'.

The rating reaffirmation continues to factor the long track record of operations of over a decade, moderate but improving financial risk profile, stable operations with majority of the capacity tied under a power purchase agreement and stable fuel supply through confirmed agreements for majority requirement, comfortable working capital operations lead by timely repayment from UPPCL. In addition to this, the company have maintained a DSRA equivalent to two quarters of debt and interest obligation in the form of fixed deposit amounted to ~Rs.260 Crore.

The above-mentioned rating strengths are partly offset by weak financial risk profile. Further reduction in the fixed tariff charges has led to decline in the overall profitability of the company. However, the same was compensated by reduced finance cost to certain extent.

About the Company

Lanco Anpara Power Limited (LAPL), a public limited company is based out of Uttar Pradesh was incorporated in 2006. The company operates and maintains a 1200 MW pit - head coal based thermal power plant ~ Anpara 'C' in Anpara, Uttar Pradesh. The power plant consists of 2 units of 600 MW each. LAPL commenced commercial operations of both its units from December 2011 and January 2012, respectively. The thermal power plant has a Power Purchase Agreement (PPA) with Uttar Pradesh Power Corporation Ltd (UPPCL) for 1100 MW for 25 years (extendable by 5 years) and the remaining 100 MW capacity is being sold in the open market. The company is presently owned by IDBI Trusteeship Services Limited (IDSL).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Lanco Anpara Power Limited (LAPL).

Key Rating Drivers

Strengths

- **Stable operations through availability of power purchase agreement and fuel supply agreements**

LAPL has a long-term power purchase agreement (PPA) of 25 years signed in 2006 and extendable by 5 years (post the completion of its term) with UP Power Corporation Ltd (UPPCL) for 1100 MW for supplying power to UP Discoms. The company benefits from long term off-take agreement for more than 90.00 percent of the capacity. The tariff is based on three parts - fixed charge recoverable at normative availability factor of 80 percent, variable charge based on actual landed cost of coal and quantity of coal computed on the basis of net quoted heat rate of 2511 kCal/kWh plus incentive charge in case availability is higher than 80 percent (calculated at Rs. 0.25/kWh or 40 percent of a non-indexed fixed charge, whichever is lower). The company is able to maintain Plant Availability Factor (PAF) of 85-90 percent and PLF of more than 70 percent in the last three years, which mitigates demand risk significantly. LAPL is also selling units generated from the remaining 100 MW capacity in the open market at rates ranging between Rs.3.00-4.00 per unit. The company is also

one of the cheapest power suppliers to UPPCL, so is the preferred supplier and stands high in the merit order.

The company has Fuel Supply Agreements (FSA) in place from Northern Coalfields Limited (NCL) for a quantity of 4.182 MMTPA of required minimum fuel supply of 5.03 MMTPA to operate the plant at normative level ~ PAF of 80.00 percent. Due to the proximity of the company's plant to NCL's coal mines, it has been able to procure the balance coal requirement also from NCL further ensures the stability of fuel supply. Acuite believes that proximity to coal mines and secured fuel supply is likely to benefit the business risk profile over the medium term.

Weaknesses

• Declining fixed charges leading to lower revenue and profitability

In FY2021, LAPL's generation levels improved compared to FY2020. There was an increase of ~14% in the total units sold during FY2021 as compared to FY2020. Acuite observes that the PLF levels have remained consistently around 80% for the last three years through FY 2021. However, the overall operating income stood at a similar level mainly due to reduction in the fixed tariff charges as per the PPA agreement. As the fixed tariff charges reduced to Rs.0.91/kwh, the average tariff per unit reduced to Rs.2.91/kwh in FY2021 as against Rs.3.31/kwh. While the fixed charges and the incentives adequately cover for the debt servicing requirements; Acuite believes that the reduction in tariff charges is likely to continue to impact the operating profitability over the medium term. Although the finance cost is reduced due to repayment of term loans.

• Group Related Issues

LAPL was part of Lanco Group which has witnessed acute financial stress over the last few years with many companies of the group defaulting on their loans. The name of the flagship company of the group i.e. Lanco Infratech Ltd (LITL). All the shares which was under the name of LITL was transferred to IDBI Trusteeship Services Ltd. In January 2019. As the majority shareholding has been transferred to CDR Security Agent, the company i.e. Lanco Anpara is currently managed by the lenders providing comfort on the stability of operations.

Rating sensitivity

- Decline in fixed tariff charges reduced the overall tariff per unit which substantially impact the operating profitability of the company.
- Creation of DSRA equivalent to two quarters of debt and interest obligation in the form of fixed deposit amounted to ~Rs.260 Crore

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.284.03 Crore in FY2021 as against debt maturity obligation of ~Rs.244.44 Crore for the year. The cash accruals of the company are estimated to remain in the range of around Rs.300.00 Crore to Rs.400.00 Crore during FY2022-24 against the estimated repayment of ~Rs.280 Crore each year for the same period. The company's working capital operations are comfortable marked by gross current asset (GCA) days of 101 days in FY2021.

The average utilization of bank limits stood moderate at ~81 per cent in the last six months ending May-2021. Company maintains unencumbered cash and bank balances of Rs.5.30 Crore as on 31 March 2021. The current ratio stands at 1.21 times as on 31 March 2021.

Outlook: Stable

Acuite believes that LAPL will maintain a 'Stable' outlook on account of the low off-take risk arising due to the enforcement of the Power Purchase Agreements (PPA) and significant importance in the renewable power sector. The outlook may be revised to 'Positive' in case of higher than expected PLF leading to higher cash accruals and improved liquidity. Conversely, the outlook may be revised to 'Negative' in case of any significant drop in power generation levels, or any significant delay in receivables or any unplanned debt-funded capital expenditure leading to a deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	2378.94	2375.21
PAT	Rs. Cr.	19.67	34.68
PAT Margin	(%)	0.83	1.46
Total Debt/Tangible Net Worth	Times	2.11	2.38
PBDIT/Interest	Times	1.83	1.92

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
15-July-2020	Term Loans	Long Term	907.26	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	435.94	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	42.18	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	44.28	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	23.07	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	119.19	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long Term	75.00	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	148.06	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	119.73	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	80.53	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	81.81	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	122.00	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	114.83	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long Term	120.00	ACUITE BB+/Stable (Assigned)

	Cash Credit	Long Term	60.00	ACUITE BB+/Stable (Assigned)
	Proposed Bank Facility	Long Term	1.12	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	100.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
REC Limited	Term Loan	30-June-2012	Not Available	31-March-2027	808.86	ACUITE BB+/Stable (Reaffirmed)
Indian Infrastructure Finance Company Limited	Term Loan	30-June-2012	Not Available	31-March-2027	375.57	ACUITE BB+/Stable (Reaffirmed)
Bank of Baroda	Term Loan	30-June-2012	Not Available	31-March-2027	35.95	ACUITE BB+/Stable (Reaffirmed)
Indian Bank	Term Loan I	30-June-2012	Not Available	31-March-2027	37.66	ACUITE BB+/Stable (Reaffirmed)
Union Bank of India	Term Loan	30-June-2012	Not Available	31-March-2027	19.62	ACUITE BB+/Stable (Reaffirmed)
Bank of India	Term Loan	30-June-2012	Not Available	31-March-2027	102.14	ACUITE BB+/Stable (Reaffirmed)
Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE BB+/Stable (Reaffirmed)
Canara Bank	Term Loan	30-June-2012	Not Available	31-March-2027	127.42	ACUITE BB+/Stable (Reaffirmed)
Central Bank of India	Term Loan	30-June-2012	Not Available	31-March-2027	101.99	ACUITE BB+/Stable (Reaffirmed)
Central Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BB+/Stable (Reaffirmed)
Indian Bank	Term Loan II	30-June-2012	Not Available	31-March-2027	68.66	ACUITE BB+/Stable (Reaffirmed)
Punjab National Bank	Term Loan I	30-June-2012	Not Available	31-March-2027	70.08	ACUITE BB+/Stable (Reaffirmed)
Punjab National Bank	Term Loan II	30-June-2012	Not Available	31-March-2027	104.37	ACUITE BB+/Stable (Reaffirmed)
Punjab National Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE BB+/Stable (Reaffirmed)
UCO Bank	Term Loan	30-June-2012	Not Available	31-March-2027	97.43	ACUITE BB+/Stable (Reaffirmed)
ICICI Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	120.00	ACUITE BB+/Stable (Reaffirmed)
Yes Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE BB+/Stable (Reaffirmed)

Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	290.25	ACUITE BB+/Stable (Reaffirmed)
Punjab National Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	100.00^	ACUITE A4+ (Reaffirmed)
Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Reaffirmed)
Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Reaffirmed)
Central Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A4+ (Reaffirmed)
Central Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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