

Press Release

Lanco Anpara Power Limited

January 11, 2023



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2645.00	ACUITE C Downgraded	-
Bank Loan Ratings	195.00	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	2840.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to **ACUITE C** (read as **ACUITE C**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 2840.00 Crore bank facilities of Lanco Anpara Power Limited.

Rationale for Rating Action

The rating downgrade takes into account the credit bureau report wherein the asset classification of the company's infrastructure loan is in Doubtful 3 category and few of its account under SMA category. Further, the CG invoked by the lender is not yet honoured and provided for resulting into risk. The parent of the company i.e. Lanco Infratech Limited is under liquidation and the company has subervient charges for the said loans. The company is made party in the case filed in DRT Hyderabad by lead banker of the parent entity.

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). Currently the company is managed by Mr. Kotaiah Pamidi, Mr. Avinash Chander Mahajan, Ms. Salila George, Mr. Ramanathan Krishnamoorthy, Mr. Sanjay Shilendrakumar Kulshrestha and Mr. Sandip Goswami.

Analytical Approach

Acuite 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 it 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

Moderation in units Supplied

Company reported operating income of Rs. 2346.88 Cr in FY2022 as against Rs. 2378.94 Cr in FY2021. EBITDA margin deteriorated from 28.31% in FY2021 to 27.21% in FY2022. Operating income in FY 22 is in the same range in comparison to previous year however total units supplied in FY 21 was 8156 Million units however same was 7809.10 Million units in FY 22.

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.

Further LITL is under liquidation process and ~Rs13085 crores are dues amount of LITL for which company has extended its assets under charge and corporate guarantee provided to canara bank. Canara Bank has issued demand Notice for ~Rs 326 crores. Share of company are under process for sale and yet to be finalized. Post Transfer of shares corporate guarantee and legal proceedings will be released and charge over assets will be discharged (except Phase II land of the company).

Further LAPL has received demand letter dated october 24, 2019 from Canara Bank for ~Rs 326 crores on account of corporate guarantee invocation.

ESG Factors Relevant for Rating

LAPL is a power producer based on thermal electricity. The advancing environmental risk emanating from new regulations may adversely impact the cost of generation. Environmental risk is a major issue for thermal power generators as coal based power generation causes significant environmental damage. While there have been some measures adopted to reduce the carbon emission, the reduction however is not uniform. The risks of regulatory constraints therefore continues to remain high for this industry and additional measures could lead to cost escalation.

On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The policies on responsible procurement and handling of waste is important. Any increase in pollution levels is likely to create social unrest and political pressures. As thermal power plants also generate large amount of employment in local communities and are susceptible to unionization of labor force, managing social welfare of the local community is critical. LAPL has also undertaken measures such as energy conservation (saving ~70 MWH/Day). Company has spent Rs 5.22 crores during FY 22 on account of CSR Policy. Company has undertaken various CSR Activities for social welfare, education and health.

On Governance front, the company has adopted requirement of Corporate Governance from Provision of Companies Act 2013. The board of directors comprises of professionals having expertise and experience in the field. An audit committee, comprising of 4 members has also been constituted by board as per the provisions of companies ACT 2013. Company also have Nomination and Remuneration, CSR committees consisting of 4 members each in compliance with the Companies Act 2013.

Rating Sensitivities

NONE

Material covenants

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.335.14 Crore in FY2022 as against debt maturity obligation of ~Rs.271.45 Crore for the year. The company's working capital operations are moderate marked by gross current asset (GCA) days of 91 days in FY2022.

The average utilization of bank limits stood moderate at ~82 per cent in the last eight months ending November 2022. Company maintains unencumbered cash and bank balances of Rs.4.59 Crore as on 31 March 2022. The current ratio stands at 1.27 times as on 31 March 2022.

Outlook:

Not Applicable

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2346.88	2378.94
PAT	Rs. Cr.	57.99	19.67
PAT Margin	(%)	2.47	0.83
Total Debt/Tangible Net Worth	Times	1.64	2.11
PBDIT/Interest	Times	2.34	1.83

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
21 Jul 2022	Letter of Credit	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	97.43	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	104.37	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	68.66	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	290.25	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	101.99	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	375.57	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	808.86	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	100.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	70.08	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	19.62	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	120.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	127.42	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	102.14	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	37.66	ACUITE BB+ Stable (Reaffirmed)

	Term Loan	Long Term	35.95	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	101.99	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	127.42	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	97.43	ACUITE BB+ Stable (Reaffirmed)
		Long		ACUITE BB+ Stable (Reaffirmed)
14 Oct 2021	Cash Credit	Term	60.00	(Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	68.66	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	375.57	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	100.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	35.95	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	104.37	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	37.66	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	290.25	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	19.62	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	70.08	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	120.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	808.86	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	102.14	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	23.07	ACUITE BB+ Stable (Assigned)

	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	120.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	122.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	114.83	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	119.19	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	148.06	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	100.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	44.28	ACUITE BB+ Stable (Assigned)
15 Jul 2020	Term Loan	Long Term	435.94	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	60.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	80.53	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	907.26	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	1.12	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	42.18	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	119.73	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	81.81	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	75.00	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	100.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4 Downgraded
Central Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4 Downgraded
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE C Downgraded
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE C Downgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE C Downgraded
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	120.00	ACUITE C Downgraded
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE C Downgraded
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A4 Downgraded
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A4 Downgraded
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A4 Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	290.25	ACUITE C Downgraded
Rural Electrification Corporation Ltd.	Not Applicable	Term Loan	30 Jun 2012	13.41	31 Mar 2027	Simple	808.86	ACUITE C Downgraded
Indian Infrastructure Finance Company Limited	Not Applicable	Term Loan	30 Jun 2012	14.03	31 Mar 2027	Simple	375.57	ACUITE C Downgraded
Bank of Baroda	Not Applicable	Term Loan	30 Jun 2012	11.10	31 Mar 2027	Simple	35.95	ACUITE C Downgraded
Union Bank of India	Not Applicable	Term Loan	30 Jun 2012	12.10	31 Mar 2027	Simple	19.62	ACUITE C Downgraded
Bank of India	Not Applicable	Term Loan	30 Jun 2012	13.05	31 Mar 2027	Simple	102.14	ACUITE C Downgraded
Indian Bank	Not Applicable	Term Loan	30 Jun 2012	14.10	31 Mar 2027	Simple	68.66	ACUITE C Downgraded
Punjab National Bank	Not Applicable	Term Loan	30 Jun 2012	14.90	31 Mar 2027	Simple	70.08	ACUITE C Downgraded
Punjab National Bank	Not Applicable	Term Loan	30 Jun 2012	14.65	31 Mar 2027	Simple	104.37	ACUITE C Downgraded
UCO Bank	Not Applicable	Term Loan	30 Jun 2012	14.20	31 Mar 2027	Simple	97.43	ACUITE C Downgraded

Canara Bank	Not Applicable	Term Loan	30 Jun 2012	13.60	31 Mar 2027	Simple	127.42	ACUITE C Downgraded
Central Bank of India	Not Applicable	Term Loan	30 Jun 2012	13.50	31 Mar 2027	Simple	101.99	ACUITE C Downgraded
Indian Bank	Not Applicable	Term Loan	30 Jun 2012	14.10	31 Mar 2027	Simple	37.66	ACUITE C Downgraded

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