



Press Release
Raichur Power Corporation Limited
November 30, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1712.00	ACUITE B Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1712.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 1712.00 Cr bank facilities of Raichur Power Corporation Limited (RPCL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation of RPCL takes into account strong parentage and continued track record of support from the promoters i.e. KPCL and BHEL. The rating also considers improvement in RPCL's financial flexibility since it started receiving timely payments from the ESCOMs on account of certain steps undertaken by the Government of India (GOI) in June 2022.

The rating is however constrained by the company's subdued operating performance in FY2023 as against FY2022 as well as weak financial risk profile on account of negative net worth and poor liquidity position. Going forward, ability of RPCL to improve its operating performance as well as the financial risk profile and timely receipt of its payments from ESCOMs will remain key rating sensitivity factors.

About the Company

RPCL has implemented a 1,600MW (2x800MW) coal-based thermal power project in Yeramarus near Raichur, Karnataka. The project commenced operations in April 2017 (one unit in March 2017 and other in April 2017).

Karnataka Power Corporation Limited (KPCL), wholly owned by the Government of Karnataka (GoK) owns 78 percent of RPCL. Bharat Heavy Electricals Limited (BHEL) holds the remaining shareholding of 22 percent. Since its inception in 1970, KPCL has grown steadily with initial installed capacity of 746 MW to 8738 MW. The present installation comprises 5020 MW of Thermal Power, 3679.75 MW of Hydro power, 4.555 MW of wind power and 34 MW of solar power, with 370 MW of Combined cycle power on the verge of commissioning.

Unsupported Rating

None

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RPCL to arrive at the rating.

Key Rating Drivers

Strengths

Strong parentage with continued track record of support

RPCL is jointly owned by KPCL and BHEL in the ratio of 78 per cent and 22 per cent

respectively. KPCL is a wholly owned subsidiary of GoK with a generation capacity of 8,738 MW. RPCL derives operational support from KPCL in the form of steady supply of coal and usage of facilities of KPCL. RPCL over the past 3 years have received funds from KPCL in form of unsecured borrowings which is being utilized for servicing of debt obligations and for operating expenses. The company received Rs.6,904 Cr in FY2021, Rs.7,790 Cr in FY2022, Rs.10,457 Cr in FY2023 respectively from KPCL as unsecured loans.

Acuité believes that continued timely support from the RPCL promoters remains critical to the operations and debt repayment over the medium term.

Measures undertaken by GOI for receiving dues from ESCOMs

GOI has issued the Late payment surcharge rules 2022 in June 2022 whereby the ESCOMs dues frozen as on June 2022 will be repaid by the ESCOMs further in 48 equal instalments to RPCL. The government is diverting the monthly subsidy due to the ESCOMs towards pump sets towards repayment of their outstanding dues with RPCL.

Weaknesses

Subdued operating performance

The operating performance of RPCL remained subdued during FY2023 as against FY2022 with its reduced operating income of Rs.3,084 Cr in FY2023 as against Rs.3,202 Cr in FY2022 which is a degrowth of ~4 percent, since the operations were mainly affected during Q2 FY2023 due to certain technical breakdown in one of the two plants, due to which the plant remained non-operational during the said period. Therefore, the net power generated by the company during FY2023 stood decreased at 4,368 million units as against 5,010 million units in FY2022 as well as the PAF stood decreased at 46 percent in FY2023 as against 48 percent in FY2022.

Further the operating margin of the company stood decreased at 32.35 percent in FY2023 as against 46.30 percent in FY2022 whereas the net losses have increased significantly. For the current year as on H1 FY2024, RPCL has achieved revenue of Rs.2,080 Cr as against Rs.1,358 Cr as on H1 FY2023.

Acuité believes that the ability of RPCL to improve its revenue and profitability will remain a key rating sensitivity factor.

Weak financial risk profile

The financial risk profile of RPCL remains weak with negative networth on account of accumulated losses, against its total debt outstanding of Rs.17,881 Cr as on 31st March 2023 which consists of Rs.7,381 Cr of long-term borrowings from Power Finance Corporation (PFC), Rs.10,457 Cr of unsecured loans from KPCL and Rs.44 Cr of short-term bank borrowings for working capital requirement.

Acuité believes that financial risk profile of RPCL is expected to remain weak over the medium term on account of negative networth backed by accumulated losses.

ESG Factors Relevant for Rating

RPCL is a coal based thermal power producer therefore, directly contributes to carbon emissions. The other material factors from the environmental perspective are green supply chain and waste management. The governance factors that play an important role are ethical business practices, board oversight and management compensation. Further, risk management practices to minimise corruption associated with electricity and gas distribution plays a crucial role. Additionally, regulatory compliance, shareholder's rights and audit control are other material issues in the power generation industry. 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 product safety as well as quality are of utmost significance.

Rating Sensitivities

- Ability to improve operating performance

- Ability to improve financial risk profile
- Timely receipt of payments from ESCOMs

All Covenants

Not applicable

Liquidity Position - Poor

Liquidity position of RPCL is poor marked by negative net cash accruals (NCA) to its maturing debt obligations. Negative NCAs have increased to a large extent during FY2023 as against FY2022 on account of increase in the overall losses during the same period.

Acuité believes that the liquidity of RPCL is likely to remain poor over the medium term on account of inadequate cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that RPCL will maintain 'Stable' outlook over the medium term on account of its continued support from the promoters. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

Not applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	3084.75	3201.52
PAT	Rs. Cr.	(1389.22)	(678.22)
PAT Margin	(%)	(45.04)	(21.18)
Total Debt/Tangible Net Worth	Times	(3.26)	(3.84)
PBDIT/Interest	Times	0.59	0.99

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
01 Sep 2022	Cash Credit	Long Term	58.00	ACUITE B Stable (Upgraded from ACUITE D)
	Proposed Cash Credit	Long Term	1654.00	ACUITE B Stable (Upgraded from ACUITE D)
04 Jun 2021	Cash Credit	Long Term	100.00	ACUITE D (Assigned)
	Proposed Cash Credit	Long Term	1612.00	ACUITE D (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 Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE B Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1702.00	ACUITE B Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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