



**Press Release**  
**RAICHUR POWER CORPORATION LIMITED**  
**February 27, 2025**  
**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          | -                              | -                 |
| Total Withdrawn Quantum (Rs. Cr)   | 0.00             | -                              | -                 |

**Rating Rationale**

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

**Rationale for Rating**

The rating reaffirmation takes into consideration the improvement in the operating revenue and improvement in recovery of outstanding receivables as a result of the efforts taken by the government towards the Electricity Supply Companies (ESCOMs). The rating also draws comfort from the benefit RPCL receives in the form of operational and financial assistance from its promoters i.e. Karnataka Power Corporation Limited (KPCL) and Bharath Heavy Electricals Limited (BHEL). The rating is however, constrained on account of declining profitability, low plant load factors (PLFs), weak financial risk profile and poor liquidity of RPCL. Going forward, ability of RPCL to improve its operating performance as well as the financial risk profile and timely receipt of its dues from ESCOMs will remain key rating sensitivity factors.

**About the Company**

Bangalore based, RPCL was incorporated in 2009 as a joint venture between Karnataka Power Corporation Limited (KPCL) and Bharath Heavy Electricals Limited (BHEL). KPCL, a wholly owned entity of Government of Karnataka (GoK) owns 77.86 percent of RPCL while BHEL holds the remaining shareholding of 22.14 percent. RPCL has established 2 units of coal fired thermal power stations with an installed capacity of 800 MW each at Yeramaus (Dist: Raichur).

Mr. Sambasivarao Chandramouleswara Sharada, Mr. Ramu Nagaraja, Ms. Ketoki Basu, Mr. Tajinder Gupta, Mr. Shankar Krishna Murthy, Mr. Rajesh Kohli, Mr. Rajesh Pratap Singh Sisodia, IAS Mr. Gaurav Gupta are the directors of the company.

**Unsupported Rating**

Not Applicable

**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 financial aid received from KPCL**

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 assistance from KPCL in the form of usage of facilities of KPCL. Further, RPCL has received funds from KPCL in form of unsecured borrowings over the past 3 years, which is being utilized for servicing of debt obligations and for operating expenses. The company has outstanding unsecured loans of Rs. 12,247.27 Cr. from KPCL as on March 31, 2024.

Acuité believes that continued timely aid from the promoters remains critical to the operations and debt repayment

over the medium term.

### **Improvement in outstanding receivables position**

The ESCOMs in Karnataka were irregular in paying their dues for a long period of time. Further, GOI had issued the Late Payment Surcharge Rules 2022 in June 2022 whereby the ESCOM's receivable dues including interest @ 15%, frozen as on June 2022 had to be repaid by the ESCOMs in monthly equal instalments to RPCL. In compliance to the same, the dues are now being repaid to RPCL. This has led to improved debtor days of 372 days on March 31, 2024 as against 415 days in the previous year.

### **Weaknesses**

#### **Declining profitability, albeit improvement in revenue**

RCPL recorded a revenue of Rs. 3,923.34 Cr. in FY2024 as against Rs. 3,084.75 Cr. in FY2023. However, the profitability of the company continued to decline further. The EBITDA margin declined to 23.75 percent in FY2024 from 32.35 percent in FY2023, mainly due to increase in coal prices. Further, due to lower Gross Calorific Value (GCV) of the coal, the PLF remained low. The PAT margin stood at (44.23) percent in FY2024 from (45.04) percent in FY2023 on account of increase in other non-operating income which is mainly towards the interest on belated payments from ESCOMs. Till 9M FY2024, the company has recorded a revenue of Rs. 2,968.14 Cr. Recently, RPCL has started procuring better quality coal, which is expected to improve their PLF. Going forward, improvement in the revenue and profitability margins of RPCL will be a key rating sensitivity.

#### **Weak financial risk profile**

The financial risk profile of RPCL remains weak with negative networth on account of accumulated losses, moderate gearing and weak debt protection indicators. The networth stood negative at Rs. (7,213.42) Cr. on March 31, 2024. The TOL/TNW stood at (2.85) times and gearing stood at (2.62) times on March 31, 2024. Debt to EBITDA though marginally improved, stood high at 16.64 times on March 31, 2024. The interest coverage ratio stood at 0.51 times and debt service coverage ratio stood at 0.39 times in FY2024. Currently, the debt servicing of the loans availed from Power Finance Corporation are supported through unsecured borrowings from KPCL.

### **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.

On the governance front, RPCL's board comprises mix of experienced and knowledgeable members which include one executive director, five nominee directors, two independent directors. Further, the company has a continued focus on creating a green and clean future for upcoming generations which is exhibited through its ongoing capex project for implementation of the Flue Gas Desulphurization (FGD) system. This project is expected to be completed in FY2026.

Further, to regulate the risk management practices in power distribution business, the GOI had issued late payment surcharge rules in 2022, whereby the ESCOMs were directed to repay the past dues (including interest at 15% p.a) to RPCL on a monthly basis. Previously, the ESCOMs in Karnataka were irregular in paying their dues for a long period of time, however, pursuant to the government directive, the dues are being streamlined to some extent.

### **Rating Sensitivities**

- Timely receipt of dues from ESCOMs.
- Improvement in PLF and profitability leading to growth in operating performance
- Improvement in the overall financial risk profile of the company

### **Liquidity Position**

#### **Poor**

The poor liquidity position of RPCL is evident by the negative net cash accruals (NCA) of Rs. (1,073.74) Cr. in FY2024 as against maturing repayment obligations of Rs. 723.57 Cr. for the same period. Currently, the debt is being serviced through the unsecured borrowings from KPCL. The company has an unencumbered cash and bank balance of Rs. 7.77 Cr. on March 31, 2024.

The poor liquidity position of RPCL is expected to remain over the medium term, due to generation of inadequate NCAs against maturing repayment obligations.

**Outlook: Stable**

**Other Factors affecting Rating**

None

## Key Financials

| Particulars                   | Unit    | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 3923.34        | 3084.75        |
| PAT                           | Rs. Cr. | (1735.48)      | (1389.22)      |
| PAT Margin                    | (%)     | (44.23)        | (45.04)        |
| Total Debt/Tangible Net Worth | Times   | (2.62)         | (3.26)         |
| PBDIT/Interest                | Times   | 0.51           | 0.59           |

### 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

### Rating History

| Date        | Name of Instruments/Facilities | Term      | Amount (Rs. Cr) | Rating/Outlook                             |
|-------------|--------------------------------|-----------|-----------------|--|
| 30 Nov 2023 | Cash Credit                    | Long Term | 10.00           | ACUITE B   Stable (Reaffirmed)             |
|             | Proposed Cash Credit           | Long Term | 1702.00         | ACUITE B   Stable (Reaffirmed)             |
| 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) |

**Annexure - Details of instruments rated**

| <b>Lender's Name</b> | <b>ISIN</b>          | <b>Facilities</b>                | <b>Date Of Issuance</b> | <b>Coupon Rate</b>   | <b>Maturity Date</b> | <b>Quantum (Rs. Cr.)</b> | <b>Complexity Level</b> | <b>Rating</b>                  |
|----------------------|----------------------|----------------------------------|-------------------------|----------------------|----------------------|--------------------------|-------------------------|--------------------------------|
| Not Applicable       | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl.    | Not avl. / Not appl. | Not avl. / Not appl. | 1712.00                  | Simple                  | ACUITE B   Stable   Reaffirmed |

## Contacts

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|---|---|
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### About Acuité Ratings & Research

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