

Press Release

Maharashtra State Power Generation Company Limited

November 25, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16740.62	ACUITE A- Stable Assigned	-
Bank Loan Ratings	1800.00	-	ACUITE A2+ Assigned
Total Outstanding Quantum (Rs. Cr)	18540.62	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE A- (read as ACUITE A minus)** and its short term rating of **ACUITE A2+ (read as ACUITE A two plus)** to the Rs 18,540.62 Cr bank facilities of Maharashtra State Power Generation Company Limited (MSPGCL). The outlook is 'Stable'.

Rationale for rating

The rating assigned takes into consideration the complete ownership of Government of Maharashtra (GoM) through MSEB Holding Company Ltd and its strategic importance to the GoM for catering to the power requirements of the state. Further, the rating also factors in the company's highest overall generation capacity and highest thermal installed capacity amongst all the states in India with an installed capacity of 9,750 MW in thermal power station, 672 MW in gas turbine power station, 2,580 MW in hydro power station and 180 MW in solar. The rating also factors in long-term power purchase agreement (PPA) of 25 years with Maharashtra State Electricity Distribution Company Ltd (MSEDCL) and its long term fuel supply arrangements with Western Coalfield Limited, Mahanadi Coalfields Ltd, South Eastern Coalfield Limited and Singareni Collieries Company Ltd along with bridge linkage MoUs.

However, the rating is constrained by decline in operating performance in FY 2022 due to nonconsideration of delayed payment surcharge (DPS) and increase in cost of fuel which has also resulted in operating losses of Rs 2,300 Cr in FY 2022. Moreover, there is a significant difference of Rs 10,750 Cr in the DPS charged by MSPGCL and acknowledged by MSEDCL due to dispute in methodology to be considered. Further, due to operational losses in FY 2022 coverage indicators have deteriorated significantly. The rating also takes into consideration the lower Plant Availability factor, which has consistently remained below the norms and higher reliance on bank borrowings with more than 90% utilization in short term borrowings for 6 months, ended August 2022.

About the Company

Maharashtra State Power Generation Company Limited, incorporated in the year 2005, is a Government of Maharashtra (GoM) - owned company engaged in the power generation across thermal, solar, gas and hydro, the company has an installed capacity of 13,022 MW

consisting of 9,540 MW thermal capacity, 2,580 MW hydro capacity, 672 MW gas-based and 230 MW solar capacity. Mr Chandrakant Satwaji Thotwe, Mr Dinesh Tarachand Waghmare, Miss Swati Parag Vyavahare, Mr Manvendra Prafulchandra Ramteke, Mr Sanjay Jagannath Khandare, Mr Balasaheb Thite, Mr Purushottam Vinayakrao Jadhav, Mr Sanjay Manoharrao Marudkar are the Directors of Maharashtra State Power Generation Company Limited. Registered office is in Bandra (East) Mumbai.

Analytical Approach

Acuité has taken the standalone view on the business and financial risk profile of Maharashtra State Power Generation Company Limited.

Key Rating Drivers

Strengths

Strategic Importance to GoM

The MSPGCL is a fully owned entity of GoM through MSEB Holding Company Ltd and holds a strategic importance to GoM in terms of power generation. The company has the highest overall generation capacity and highest thermal installed capacity amongst all the states in India and the second highest state owned generation company after NTPC in terms of installed capacity. The company has total installed capacity of 13,182 MW comprises of 9,750 MW in thermal power, 672 MW in gas, 2,580 MW in Hydro and 180 MW in solar. The company has a long term PPA of 25 years with MSEDCL with a tariff being regulated by Maharashtra Electricity Regulatory Commission (MERC) in advance for 4 years. MSEDCL is a backbone of the power sector infrastructure for Maharashtra with a consumer base of over 25 million wherein 40% of its power requirements are catered by MSPGCL.

Acuite believes that MSPGCL, being a fully owned entity of GoM, shall continue to benefit from the operational and management support of GoM from time to time.

Operational importance and Strategic linkages with key Suppliers

MSPGCL has an installed capacity of 9,750 MW for thermal power plant, which is 5% of total installed generation capacity of 2,04,080 in India as on August 2022. The Plant load factor in the country for 2021-22 for coal-based plants across the sectors was 58.87%, MSPGCL has almost similar PLF of 56.47% in FY 2022. Further, the tariffs are regulated by MERC and MSPGCL has assured return on equity due to cost-plus nature of PPA under multiyear tariff model wherein tariff are determined in advance for a period of 4 years on a basis of fuel charges and fixed cost.

The company has a long-term fuel supply arrangement with Western Coalfield Limited, Mahanadi Coalfields Limited, South Eastern Coalfields Limited and Singareni Collieries Company Limited for supply of 34.107 MMTPA of quantity in FY 2021 and 34.06 MMTPA for FY 2022. The company also has a Bridge linkage MoU with Western Coalfield Limited for supply of G8-G10 coal of 10.304 MMT and with Singareni Collieries Company Limited for supply of G9 coal of 2.165 MMT in FY 2022.

Weaknesses

Standalone Moderate Financial Risk Profile

The financial risk profile of the company is moderate with declining net worth, moderate leverage ratios and below average coverage indicators. The net worth of the company has declined in FY 2022 to Rs 17,314 Cr as against Rs 18,668 Cr in FY 2021 and Rs 18,591 Cr in FY 2020. The decline in net worth is due to losses recorded by company in FY 2022. The leverage ratios of the company remains moderate with debt-equity ratio of 2.47 times in FY 2022 as against 2.16 times in FY 2021 and 2.03 times in FY 2020 and TOL/TNW ratio of 3.20 times in FY 2022 as against 2.85 times in FY 2021 and 2.60 times in FY 2020. Total debt of the company is Rs 42,741.90 Cr in FY 2022 comprises of long-term debt of Rs 24,922 Cr, short-term debt of Rs 17,299 Cr and USL of Rs 520.49 Cr.

Further, debt-EBITDA ratio of company has increased to 10.17 times in FY 2022 as against 5.95 times in FY 2021 and 5.77 times in FY 2020. The coverage indicators are below average due to losses been reported in FY 2022, interest-coverage-ratio stood at 1.19 times in FY 2022 as against 1.87 times in FY 2021 and 1.85 times in FY 2020. Debt-servicecoverage-ratio

stood at 0.42 times in FY 2022 as against 0.95 times in FY 2021 and 1.08 times in FY 2020.

Acuite believes that financial risk profile of MSPGCL may continue to remain moderate due to higher reliance on bank borrowings.

Stretched Receivables and dispute on Delay Payment Surcharge

The company has a receivable O/s of Rs 27,232 Cr as on 31 st March, 2022 as against Rs 24,518 Cr as on 31 st March, 2021 and Rs 17,804 Cr as on 31 st March, 2020. The entire receivable O/s are from MSEDCL. Receivable days of the company has increased to 453 days in FY 2022 as against 428 days in FY 2021 and 296 days in FY 2020.

The receivables include the contractual accumulated receivable with respect to Delayed Payment Surcharge (DPS) until FY 2021 of Rs 14,862 Cr. Till FY 2018 both MSPCL and MSEDCL were showing same amount of delayed payment surcharge. However, in FY 2019 MSEDCL has retrospectively revised the amount of delayed payment surcharge to Rs 4,112 Cr by changing the methodology wherein the payment is first adjusted towards principal dues instead of Delayed Payment Surcharge. As a result of the same, there is a huge difference of Rs 10,750 Cr in DPS amount. Currently, matter with respect to methodology to be considered is pending with government. The company has not made any provision for expected credit loss against this doubtful recovery of DPS amount.

However, with the issue of notification by Ministry of Power dated June 2022 with respect to payment of all the outstandings both principal and DPS as on June 2022 in 12 to 48 months installments to the company will improve the liquidity to some extent. Further, the company has already received 3 installments with respect to same of approx. Rs 863 Cr.

Acuite believes the recovery of delayed payment surcharge will continue to remain a key monitorable going ahead.

ESG Factors Relevant for Rating

The material factors from the environmental perspective for a conventional energy segment are green supply chain and waste management. In view to comply with the new environmental norms, MSPGCL is going to install the flue gas desulphurisation (FGD) for its plants in Koradi, Chandrapur, Bhusawal, Khaperkheda, Parli and Nashik. MSPGCL is contributing towards greening Maharashtra by successful commissioning of 207 MW solar power project and has further capacity addition under implementation. The MSPGCL has also conducted a one day conference in 2020 with the prime agenda on FGD and selective catalytic reduction along with other technologies to control emissions in power generation. The company has constituted a CSR committee with an aim of active contribution to sustainable socio-economic development of the local community and has spent Rs 30.67 Cr with respect to it in FY 2021.

Rating Sensitivities

- Credit profile of GoM
- Recovery of delayed payment surcharge
- Dynamics in the regulatory environment

Material covenants

None

Liquidity Position: Adequate

The liquidity profile of the company remains adequate with the support of GoM being a 100% shareholder. However, the company has generated a net cash accrual of Rs 1,144 Cr in FY 2022 against the maturing debt obligation of Rs 3,998 Cr during the same tenure. However, the company is expected to generate a sufficient net cash accruals against its maturing debt obligation going forward. Further, the average bank limit utilization for working capital limits for the last 6 months ended August 2022 remains more than 90%.

Outlook: Stable

Acuite believes that the MSPGCL will maintain 'Stable' outlook over the medium term from its strategic importance to the GoM, experienced management and strong parentage. The outlook may be revised to 'Positive' after the company successfully ramps up its operation

and registers growth in revenues while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of non recovery of DPS resulting in deterioration in their financial risk profile and liquidity position.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	23292.15	23575.46
PAT	Rs. Cr.	(1644.34)	255.59
PAT Margin	(%)	(7.06)	1.08
Total Debt/Tangible Net Worth	Times	2.47	2.16
PBDIT/Interest	Times	1.19	1.87

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>
- 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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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:

Not Applicable

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 Maharashtra	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A2+ Assigned
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A2+ Assigned
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	375.00	ACUITE A2+ Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	750.00	ACUITE A2+ Assigned

Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A2+ Assigned
Gadchiroli DCC Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	91.67	ACUITE A- Stable Assigned
Gadchiroli DCC Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	104.16	ACUITE A- Stable Assigned
Gadchiroli DCC Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A- Stable Assigned
Bank of Baroda	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	876.00	ACUITE A- Stable Assigned
Bank of Baroda	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	666.00	ACUITE A- Stable Assigned
Bank of Baroda	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2000.00	ACUITE A- Stable Assigned
Bank of Baroda	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1000.00	ACUITE A- Stable Assigned
M. S, CO-OPERATIVE BANK LIMITED	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1000.00	ACUITE A- Stable Assigned
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	825.00	ACUITE A- Stable Assigned
								ACUITE
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1152.79	A- Stable Assigned
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	1100.00	ACUITE A- Stable Assigned
Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	2750.00	ACUITE A- Stable Assigned

Canara Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	3158.00	ACUITE A- Stable Assigned
Bank of Maharashtra	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	742.00	ACUITE A- Stable Assigned
Indian Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	909.00	ACUITE A- Stable Assigned
Central Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	341.00	ACUITE A- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Sehal Birla Senior Manager-Rating Operations Tel: 022-49294065 sehal.birla@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.