



Press Release
Maharashtra State Power Generation Company Limited
August 07, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16540.62	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	859.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	2000.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	19399.62	-	-

Rating Rationale

Acuite has reaffirmed 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)** on the Rs 18,540.62 Cr bank facilities of Maharashtra State Power Generation Company Limited (MSPCL). The outlook is 'Stable'.

Further, Acuite has assigned a short term rating of **ACUITE A2+ (read as ACUITE A two plus)** to the Rs. 859 Cr. bank facilities of Maharashtra State Power Generation Company Limited (MSPCL).

Rationale for rating

The rating continues to draw comfort from Government of Maharashtra's (GoM) complete ownership in MSPCL through MSEB Holding Company Ltd (MSEB) and its strategic importance to the GoM for catering to the power requirements of the state. Further, the rating derives strength from MSPCL's highest overall generation capacity amongst all Indian states. MSPCL has an installed capacity of 9750 MW in thermal power station, 672 MW in gas turbine power station, 2580 MW in hydro power station and 230 MW in solar. The rating also draws comfort from MSPCL's 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. Further, Acuite has also taken cognizance of improved scale of operations of MSPCL during FY2023(Provisional). Revenue from Sale of Power stood at Rs. 28,788 Cr. in FY2023(Provisional) against Rs. 21,951 Cr. in FY2022.

However, the above mentioned rating strengths are constrained by revenue concentration and high receivables from MSEDCL towards late payment surcharge (LPS). The average collection period for last three years ended FY2023 stood at over 400 days. Further due to shortage of domestic coal and to meet high demand for supply of power MSPCL has increased its coal imports in line with the disclosures issued by Ministry of Power which has resulted in an increase in the cost of fuel impacting the EBITDA margins. The EBITDA margins deteriorated to 15.69% in FY2023(Provisional) against 17.19% in FY2022. The rating also imparts negative bias due to lower Plant Availability Factor, which has consistently remained below the norms. Further, as on March 31, 2023 MSPCL is yet to receive around Rs.14842 Cr towards the LPS arising out of difference in tariff calculation methodology between MSPCL &

MSEDCL. However, under the LPS rule 2022 starting from Aug 2022 MSPCL has been regularly receiving a monthly installment of Rs. 287.52 Cr. towards the outstanding LPS serving as some mitigation towards the pending receivables. However, substantial reduction in the average

collection period of MSPCL will remain a key rating sensitivity.

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 13,232 MW consisting of 9,540 MW thermal capacity, 2,580 MW hydro capacity, 672 MW gas-based and 230 MW solar capacity. Hon'ble. P. Anbalagan, IAS Chairman & Managing Director, Mr. Balasaheb B. Thite -Director (Finance), Mr. Sanjay M. Marudkar -Director (Operations), Mr. Abhay Harne -Director (Projects) and Dr. Dhananjay Sawalkar-Director Cum Advisor (Mining)-Additional charge etc. are amongst the top management personnel of MSPCL. Company has its registered office located 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 along with limited offtake risk

MSPCL is wholly owned by GoM through MSEB Holding Company Limited and hence holds a strategic importance to GoM. The company has the highest overall generation capacity and highest thermal installed capacity amongst all the states within India and is the second highest state owned generation company after NTPC in terms of installed capacity. The company has a total installed capacity of 13,232 MW. Further, the company has a long term PPA of 25 years signed with MSEDCL for supply of its entire generated power with tariffs being regulated by Maharashtra Electricity Regulatory Commission (MERC). MSEDCL is a backbone of the power sector infrastructure in Maharashtra with a consumer base of over 25 million wherein 40% of its power requirement is catered by MSPCL thus limiting the offtake risk to a considerable level. Further being a GoM holding, government has been regularly supporting the company in the form of timely equity infusions. GoM through MSEB Holding has infused an equity to the tune of Rs. 468 Cr. during FY2023 (Provisional.)

Acuité believes that MSPCL, shall continue to reap benefits from timely operational and financial support of GoM.

Operational importance and strategic linkages with key suppliers

MSPCL has an installed Thermal capacity of 9,750 MW accounting to almost 5% of the total Thermal generation capacity (237269 MW) of India as on March 2023. The Plant load factor (PLF) in the country for 2022-23 for coal-based plants across the sectors was 64.15% and MSPCL recorded a coal-based PLF of 61.77% during the same period. Further, the tariffs are regulated by MERC and are designed to assure return on equity due to cost-plus nature of PPA under multiyear tariff model wherein tariffs are determined in advance for a period of 4 years on a basis of fuel charges and fixed costs. Further, the company has a long-term fuel supply arrangement (FSA) with companies like Western Coalfield Limited, Mahanadi Coalfields Limited to name a few for supply of annual contracted quantity (ACQ) of ~52.54 million tonnes per annum coal. The company also has a Bridge linkage MoU with Western Coalfield Limited and Singareni Collieries Company Limited for uninterrupted supply of fuel.

Receipt of delayed payments surcharge under the LPS Rule 22 expected to improve the working capital

MSPCL reported an overall increase of around 40% in its total operating income which stood at Rs. 32,808 Cr. in FY2023(Provisional) against Rs. 23292 Cr. in FY2022. Out of the total income, Rs. 3785 Cr. pertains to the delayed payment surcharge received from MSEDCL. Until FY2018 both MSPCL and MSEDCL were showing same amount of late payment surcharge (LPS). However, since FY2019 MSEDCL had retrospectively revised the amount of LPS by changing the methodology wherein the payment got first adjusted towards principal dues instead of LPS. As a result of the same, there arose a huge difference in the LPS recorded amount.

However, Ministry of Power (MoP) introduced LPS Scheme 2022 for clearing of outstanding dues of power generating and transmission licensee companies under which outstanding dues of more than Rs. 10,000 Cr have to be cleared within 48 monthly installments. Accordingly, starting August 2022 MSPCL has been receiving a monthly instalment of Rs. 287.52 Cr. towards the LPS from MSEDCL. Further, MSPCL has also reported around Rs. 5355 Cr. to be received under its 'Unbilled Receivables' in the coming year (FY2024) towards the same. Acuité believes that introduction of LPS scheme 22 is expected to bring some improvement in the stretched receivables cycle of MSPCL.

Weaknesses

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 been declining from last two years, despite time to time equity infusion by GoM. The net worth stood at Rs 16,497 Cr. as on March 31 2023 (Provisional) as against Rs 17,314 Cr. as on March 31, 2022 and Rs 18,668 Cr as on March 31, 2021. The decline in net worth is a result of losses recorded by company during FY2022 & FY2023. Further, the leverage ratios of the company have remained moderate with debt-equity ratio of 2.73 times as on March 31 2023(Provisional) against 2.47 times as on March 31, 2022. Total debt of the company stood at Rs. 45020 Cr. against 42,741 Cr in FY 2022. Furthermore, the TOL/TNW ratio stood at 3.62 times against 3.20 times during the same period. Further, Debt-EBITDA ratio of company although improved stood high at 8.44 times in FY2023 (Provisional) against 10.17 times in FY2022. The coverage indicators although improved, are still below average with interest-coverage-ratio (ICR) & DSCR at 1.52 times and 0.75 times in FY2023(Provisional.) against 1.19 times and 0.62 times in FY2022.

Acuité believes that financial risk profile of MSPCL may continue to remain moderate due to capital intensive business demanding debt funded capex and higher reliance on bank borrowings.

Revenue concentration and stretched receivables cycle

The company has signed long term PPA (25 Years) to supply its entire power to MSEDCL. Thus, any dispute or weakening of the credit profile of the off-taker puts MSPCL under serious counter party risk. Further, the receivables include the contractual accumulated receivables with respect to Late Payment Surcharge (LPS) until FY2023 of Rs 14,842 Cr. Till FY2018 both MSPCL and MSEDCL were recording same amount of LPS. However, since FY2019 MSEDCL retrospectively revised the amount of the late payment surcharge by changing the methodology wherein the payments were first adjusted towards principal dues instead of LPS. As a result of the same, there is a huge difference between the LPS amount recorded by MSPCL and MSEDCL. However, under LPS scheme 22 MSPCL has been receiving Rs. 287.52 Cr. monthly from MSEDCL towards the LPS. This has although improved company's receivable during FY2023, the same still stood high. The outstanding balance stood at Rs 25,947 Cr as on March 31, 2023(Provisional) as against Rs 27,231 Cr as on March 31, 2022 and Rs 24,518 Cr. as on March 31, 2021. Receivable days stood at 329 days in FY2023 (Provisional) against 453 days in FY 2022. With timely receipts of payments under LPS rule 22 liquidity of the company is expected to improve to some extent.

Acuité believes timely recovery of the pending LPS will continue to remain a key rating sensitivity 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, MSPCL is going to install the flue gas desulphurisation (FGD) for its plants in Koradi, Chandrapur, Bhusawal, Khaperkheda, Parli and Nashik. MSPCL is contributing towards greening Maharashtra by successful commissioning of 230 MW solar power project and has further capacity addition under implementation. MSPCL 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. Further, the company has constituted a CSR committee with an aim of active contribution to sustainable socio-economic development of the local community.

Rating Sensitivities

- Any deterioration in the Credit profile of GoM.
- Any deterioration in the credit profile of the off-taker resulting in further elongation of receivables.
- Timely recovery of delayed payment surcharge.
- Any changes in the dynamics in the regulatory environment.

Material covenants

None

Liquidity Position

Adequate

The company's cash equivalents stood at around Rs. 352 Cr. as on March 31, 2023. Further, the current ratio stood at 1.12 times during FY2023(Provisional). The cash accruals stood at around Rs. 1816 Cr. against the repayment obligations close to Rs. 3587 Cr. However, the liquidity profile of the company remains adequate marked by timely financial support from GoM in the form of Equity infusion.

Outlook: Stable

Acuité believes that the MSPCL 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' if the company is successfully able to ramp up its scale of operations while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of non recovery of DPS resulting in further deterioration in the working capital cycle and liquidity position.

Other Factors affecting Rating

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	32808.00	23292.15
PAT	Rs. Cr.	(1057.72)	(1644.34)
PAT Margin	(%)	(3.22)	(7.06)
Total Debt/Tangible Net Worth	Times	2.73	2.47
PBDIT/Interest	Times	1.52	1.19

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>
- 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>
- 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, 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Nov 2022	Working Capital Demand Loan	Long Term	909.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long Term	2750.00	ACUITE A- Stable (Assigned)
	Short Term Loan	Long Term	91.67	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	300.00	ACUITE A2+ (Assigned)
	Short Term Loan	Long Term	2000.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	300.00	ACUITE A2+ (Assigned)
	Working Capital Demand Loan	Long Term	742.00	ACUITE A- Stable (Assigned)
	Short Term Loan	Long Term	876.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	375.00	ACUITE A2+ (Assigned)
	Short Term Loan	Long Term	666.00	ACUITE A- Stable (Assigned)
	Short Term Loan	Long Term	104.16	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1152.79	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	750.00	ACUITE A2+ (Assigned)
	Short Term Loan	Long Term	1000.00	ACUITE A- Stable (Assigned)
	Short Term Loan	Long Term	1000.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long Term	341.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	825.00	ACUITE A- Stable (Assigned)
	Short Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long Term	3158.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	75.00	ACUITE A2+ (Assigned)
	Working Capital Demand Loan	Long Term	1100.00	ACUITE A- 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 Maharashtra	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A2+ Reaffirmed
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A2+ Reaffirmed
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	375.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	750.00	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	500.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	895.91	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	859.00	ACUITE A2+ Assigned
Gadchiroli DCC Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	54.17	ACUITE A- Stable Reaffirmed
Gadchiroli DCC Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	66.67	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	3525.37	ACUITE A- Stable Reaffirmed
M. S, CO-OPERATIVE BANK LIMITED	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1333.34	ACUITE A- Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	641.67	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1023.49	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	1100.00	ACUITE A- Stable Reaffirmed
Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	2750.00	ACUITE A- Stable Reaffirmed

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

** All WCDL facilities are interchangeable and can be utilized as CC limits*

** All Bank Guarantees (BG) are interchangeable and can be utilized as Letter of Credit (LC)*

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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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