



Press Release
Maharashtra State Power Generation Company Limited
May 08, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17044.39	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	2355.23	-	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. 19399.62 Cr. bank facilities of Maharashtra State Power Generation Company Limited (MSPCL). The outlook is 'Stable'.

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 and Stable scale in FY2024.

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 239 days. Acuite further notes that the efficiency levels in the power generation segment remain lower than the normative targets set by the regulator. The lower generation and the higher operating overheads due to the vintage of the plants affect the entity's EBITDA margins. The EBITDA margins deteriorated to 15.39% in FY2023 against 17.19% in FY2022. 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 13,022 MW consisting of 9,540 MW thermal capacity, 2,580 MW hydro capacity, 672 MW gas-based and 230 MW solar capacity. Mr. Vishwas Vasant Pathak, Mr. Anbalagan Ponnusamy, Mr. Abhay Arun Harne, Mr. Balasaheb Thite, Mrs. Abha Shukla and Mr. Sanjay Manoharrao Marudkar are the Directors of Maharashtra State Power Generation Company Limited. Registered office is in Bandra (East) Mumbai.

Unsupported Rating

Not applicable.

Analytical Approach

Acuité has taken the standalone view on the business and financial risk profile of Maharashtra State Power Generation Company Limited. Further, the team has also factored in the inherent support extended from the state government of Maharashtra.

Key Rating Drivers

Strengths

Strategic Importance to GoM along with limited offtake risk

MSPGCL 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 13,022 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. 468.05 Cr. during FY2023, and Rs. 91.14 Cr. during FY2024. Acuité believes that MSPGCL, 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 4% of the total Thermal generation capacity (243.21 GW) 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 61.34% during the same period. During FY24, the PLF stood at 65.67%. 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 ~55.08 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 42% in its total operating income which stood at Rs. 33,072 Cr. in FY2023 against Rs. 23,292 Cr. in FY2022. Out of the total income, Rs. 3,949 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. In FY2024, the revenues of the Genco are estimated to be ~ Rs. 31000- 32000 Cr. that includes the delayed payment charges of ~Rs.3000 to 3100 Cr. 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 trend in net worth during last few years, leveraged gearing ratio and below average coverage indicators. The net worth of the company has declined in FY2023 to Rs 16,397.30 Cr as against Rs 17,314.22 Cr in FY2022. The decline in net worth is due to losses recorded by company from last two years. The capital structure remains leveraged with the debt-equity ratio of 2.47 times as on March 31, 2023 against 2.47 times as on March 31, 2022, TOL/TNW ratio stood at 3.65 times as on March 31, 2023 against 3.20 times as on March 31, 2022. Total debt of the company stood at Rs. 44,886 Cr. as on March 31, 2023 against Rs. 42,741 Cr. as on March 31, 2022. The debt levels stood at Rs. 41,832 Cr. as on March 31, 2024 comprising of the working capital loans of Rs. 22,793 Cr. and term loans of Rs. 19,039 Cr. In FY2024, the company has taken debt of Rs. 6,319 Cr. consisting majority (Rs. 5088.75 Cr.) of working capital limits and remaining Rs. 1231.01 Cr. towards the capex (includes Rs. 566.41 Cr. interest free debt from government). The Debt-EBIDTA ratio of company has improved at 8.40 times in FY2023 as against 10.17 times in FY2022. The coverage indicators stood below average due to losses been reported, interest-coverage-ratio stood at 1.52 times in FY2023 as against 1.19 times in FY 2022. Debt-service-coverage-ratio stood at 0.78 times in FY2023 as against 0.62 times in FY2022. However, the company has a support from GoM and MSEB wherein every year equity infusion is done.

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 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 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 along with the recovery of the disputed amount 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.
- Further elongation of receivables.
- Timely recovery of delayed payment surcharge.
- Any changes in the dynamics in the regulatory environment.

Liquidity Position Adequate

The liquidity profile of the company remains adequate with the support of GoM being a 100% ultimate holding company. The company has generated a net cash accrual of Rs 2,046 Cr in FY2023 against the maturing debt obligation of Rs 3,586 Cr during the same tenure. However, company has been receiving timely funding from GoM in the form of equity infusion and working capital debt and the rating derives comfort from the fact that company is a GOM shareholding.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	33072.86	23292.15
PAT	Rs. Cr.	(796.04)	(1644.34)
PAT Margin	(%)	(2.41)	(7.06)
Total Debt/Tangible Net Worth	Times	2.74	2.47
PBDIT/Interest	Times	1.52	1.19

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Aug 2023	Term Loan	Long Term	1023.49	ACUITE A- Stable (Reaffirmed)
	Short-term Loan	Long Term	54.17	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	1100.00	ACUITE A- Stable (Reaffirmed)
	Short-term Loan	Long Term	66.67	ACUITE A- Stable (Reaffirmed)
	Short-term Loan	Long Term	3525.37	ACUITE A- Stable (Reaffirmed)
	Short-term Loan	Long Term	1333.34	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	641.67	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	2750.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	3158.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	742.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	909.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	341.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	895.91	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	300.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	375.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	750.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	500.00	ACUITE A2+ (Reaffirmed)
Proposed Short Term Bank Facility	Short Term	859.00	ACUITE A2+ (Assigned)	
	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	300.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	375.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	750.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	300.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	1152.79	ACUITE A- Stable (Assigned)
	Short-term Loan	Long Term	91.67	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long		ACUITE A- Stable

25 Nov 2022	(WCDL)	Term	1100.00	(Assigned)
	Short-term Loan	Long Term	104.16	ACUITE A- Stable (Assigned)
	Short-term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Short-term Loan	Long Term	876.00	ACUITE A- Stable (Assigned)
	Short-term Loan	Long Term	666.00	ACUITE A- Stable (Assigned)
	Short-term Loan	Long Term	2000.00	ACUITE A- Stable (Assigned)
	Short-term Loan	Long Term	1000.00	ACUITE A- Stable (Assigned)
	Short-term Loan	Long Term	1000.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	825.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	2750.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	3158.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	742.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	909.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	341.00	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE A2+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	300.00	ACUITE A2+ Reaffirmed
Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	375.00	ACUITE A2+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	750.00	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	500.00	ACUITE A2+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	392.14	ACUITE A- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	355.23	ACUITE A2+ Reaffirmed
Gadchiroli DCC Bank	Not avl. / Not appl.	Short-term Loan	27 May 2021	Not avl. / Not appl.	31 May 2024	Simple	12.50	ACUITE A- Stable Reaffirmed
Gadchiroli DCC Bank	Not avl. / Not appl.	Short-term Loan	25 Aug 2021	Not avl. / Not appl.	31 Aug 2024	Simple	25.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Short-term Loan	28 Sep 2021	Not avl. / Not appl.	31 Dec 2027	Simple	3008.07	ACUITE A- Stable Reaffirmed
M. S. CO-OPERATIVE BANK LIMITED	Not avl. / Not appl.	Short-term Loan	30 Dec 2023	Not avl. / Not appl.	31 Mar 2025	Simple	1750.00	ACUITE A- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	12 Sep 2022	Not avl. / Not appl.	12 Oct 2025	Simple	412.49	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	31 Oct 2016	Not avl. / Not appl.	31 Jul 2029	Simple	894.19	ACUITE A- Stable Reaffirmed

State Bank of India	Not avl. / Not appl.	Term Loan	21 Mar 2024	Not avl. / Not appl.	31 Jul 2026	Simple	1000.00	ACUITE A- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	02 Feb 2024	Not avl. / Not appl.	29 Feb 2028	Simple	550.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1100.00	ACUITE A- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2750.00	ACUITE A- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3158.00	ACUITE A- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	742.00	ACUITE A- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	909.00	ACUITE A- Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	341.00	ACUITE A- Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No	Name of Entity
1	Government of Maharashtra

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Preet Ludhwani Associate Vice President-Rating Operations Tel: 022-49294065 preet.ludhwani@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.

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