



Press Release
MB POWER (MADHYA PRADESH) LIMITED
June 11, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2000.00	ACUITE AA- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	2000.00	-	-

Rating Rationale

ACUITE has assigned its long-term rating of '**ACUITE AA-' (read as ACUITE double A minus)** on the Rs.2000 Crore bank facilities of MB Power (Madhya Pradesh) Limited (MBPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the established track record of MBPL, its healthy operational performance with low off-take risk supported by long- and medium-term PPAs (power purchase agreements) with the state discoms of Madhya Pradesh, Uttar Pradesh, and Haryana, and fuel supply arrangements (FSA) with south-eastern coal fields mitigating the supply risks. The ratings further consider the pre-payment of debt of Rs.911 Cr. in FY2024 and another Rs.208 Cr. in Q1FY25. Further the company has maintained a high plant availability of ~average 90 percent during the past three years and a PLF ranging between ~70 to 80 percent during the same period, which is supported by efficient O&M practices, the geographical advantage of location near a coal belt area with a dedicated railway siding inside the plant connecting with the national railway network, the availability of adequate water supply for the functioning of the power plant, and a dedicated transmission line connecting with the national grid. Furthermore, the rating is supported by a healthy financial risk profile, efficient working capital management, and a strong liquidity position supported by nominally utilized working capital limits, healthy liquid investments, and maintenance of the DSR reserve in the form of FD equivalent to a two-quarters repayment obligation. However, rating remains constrained by a moderate counterparty risk profile and exposure to merchant markets to the extent of untied capacity.

About the Company

Incorporated in 2008, Madhya Pradesh based, MB Power (Madhya Pradesh)Limited (MBPL) is a subsidiary of Hindustan Thermal Projects Limited (HTPL), which in turn, is a subsidiary of Hindustan Power Projects Private Limited (HPPL) – the flagship entity of the Hindustan Power group. MBPL has set up a 1,250-MW (2 x 650 MW) coal based sub-critical thermal power plant in Anuppur district, Madhya Pradesh, of which 600 MW (Unit-I) had become operational in May 2015. The synchronisation of Unit II was done in March 2016. The management team of the company comprises senior professionals with more than two decades of experience in the power sector. The company managed by Mrs. Jasmeen Kaur, Mr. Hemant Sahai, Mrs. Seema Joshi, Mr. Basanta Kumar Mishra, Mr. Rajarangamani Gopalan and Mr. Edward Michael Bourgoin.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MB Power (Madhya Pradesh) Limited to arrive at the rating.

Key Rating Drivers

Strengths

Low off take risk supported by long term PPA

MBPL has entered into a long-term PPA with the discoms of Madhya Pradesh, Uttar Pradesh, and Haryana. Out of a total capacity of 1250 MW, the company has PPA tie-ups with MP discoms for 420 MW, UP discoms for 383 MW, and Haryana discoms for 155 MW. For the balance, capacity is untied and sold in exchange at market-determined prices. Out of the total capacity of 1250 Mws, around 70 percent is tied up with long-term PPAs, and around 15 percent is tied up with medium-term PPAs. PPAs with MP discoms have a fuel cost pass through mechanism that helps the company mitigate risk relating to variation in coal prices. The company has also entered into a long-term open access agreement with the Power Grid Corporation of India (PGCIL) and is well connected with dedicated transmission lines that are connected to the National Grid. Power supply to off-takers (UP, MP, and Haryana) is done through the National Grid.

Stable operating performance

The plant has consistently maintained an average NAPAF of ~90% in the previous three fiscals ending March 2024, which has ensured recovery of capacity charges under PPAs. The PLF has remained at around 79.9% and 71.70% during FY24 and FY23, respectively. Given the adequate fuel tie-up, the plant was able to achieve a higher-than-normative PAF and sustain a high PLF over the medium term. Recently, the company has increased its installed capacity to 1250 MWs, which has been duly certified by regulators, and power generation for additional capacity has commenced in April 2024.

Healthy financial risk profile

The financial risk profile of the company is healthy, marked by strong net worth, moderate gearing levels, and debt protection metrics. The company's net worth improved and stood at Rs. 2160.27 crore as of March 31st, 2023, as against Rs. 1945.03 crore as of March 31st, 2022, and Rs. 1701.20 crore as of March 31st, 2021, on account of accretion of profits. The gearing ratios of the company stood moderately at 2.20 times as of March 31st, 2023, as opposed to 2.57 times as of March 31st, 2022, and 3.20 times as of March 31st, 2021. The improvement in gearing levels is due to the pre-payment of debt backed by adequate cash accruals. Further, the total outside liabilities to tangible network (TOL/TNW) stood at 2.66 times as of March 31st, 2023, as against 3.00 times as of March 31st, 2022, and 3.62 times as of March 31st, 2021. The net cash accrual to total debt (NCA/TD) stood at 0.13 times in FY2023 and FY2022, as well as against 0.11 times in FY2021. The debt service coverage ratio (DSCR) stood moderate at 1.23 times for FY2023 as against 1.27 times for FY2022 and 1.87 times for FY2021, and interest coverage ratios stood low at 2.10 times in FY2023 as against 1.99 times in FY2022 and 1.87 times in FY2021. Further, the company is in the process of refinancing its existing debt in order to reduce its overall cost of debt. Acuite believes that the financial risk profile of the company will continue to remain healthy over the medium term.

Efficient working capital management

The company's operations are working capital efficient, as reflected by its gross current assets (GCA) days of 134 days in FY2023 as against 165 days in FY2022 and 195 days in FY2021. The debtor days of the company stood at 49 days in FY2023, as against 70 days in FY2022, and 78 days in FY2021. The creditor days of the company stood at 103 days in FY2023, as against 123 days in FY2022, and 104 days in FY2021. Acuite believes that the company's operations will continue to remain efficient over the medium term.

Weaknesses

Moderate counterparty credit profile

Madhya Pradesh and Uttar Pradesh discoms are major off-takers of the company. The financial risk profile of these companies is moderate; however, the company has been receiving the payments in a timely manner. . Payments from MP and UP discoms are received in 45 to 50 days, and payments from Haryana discoms are received within 5 to 7 days. Exchange sales are realized within 2 to 3 days, respectively. Going ahead, any significant deterioration in the credit risk profile of the off-takers leading to an impact on the liquidity position and financial risk profile of the company shall remain a key monitorable.

Exposure to merchant markets to the extent of untied capacity

MBPL was able to sell power at a relatively higher rate in merchant markets with an average price realisation of Rs.6.10/unit during FY2024. However, company has untied capacity of almost 15 percent of its total capacity which remains exposed to volatility in price fluctuations in the merchant markets. Going ahead, the ability of the company to tap in the short term markets with healthy price realisations remains key rating monitorable.

Rating Sensitivities

- Improvement in credit profile of the off takers
- Significant improvements in financial risk profile leading to higher than envisaged improvement in leverage and coverage ratios
- long-term/medium-term tie-ups at favourable tariffs for the remaining untied capacity
- Deterioration in the operating performance and financial risk profile.
- Any significant delays in receipt of payments from counterparties, thereby impacting the liquidity position of the company. weakening the liquidity position.
- Deterioration in PAF and PLF levels

Liquidity Position: Strong

MBPL's liquidity is strong, marked by comfortable cash accruals generated for its debt obligations. It reported cash accruals of Rs. 621.31 crore in FY2023, and its accruals are expected to be in the range of Rs. 684.94 crore to Rs. 838.00 crore in FY2024–FY25 against its repayment obligations of Rs. 205 crore to Rs. 210 crore during the same period. The current ratio of the company stands at 1.08 times, and cash and bank balances stood at Rs. 106.25 crore as of March 31, 2023. The company has liquid assets in the form of FDRs and mutual fund investments worth Rs. 308 crore as of March 31st, 2023. In addition, it maintained a margin money and DSRA deposit of Rs. 340 crore as of March 31, 2024. The company's working capital operations are moderate in nature, leading to a moderate reliance on working capital limits. Acuite believes that the liquidity position of the company will continue to remain strong, backed by healthy cash accrual generation, liquid investments, and unutilized working capital limits.

Outlook: Stable

Acuité believes that the MBPL will maintain 'stable' outlook over the medium term owing to stable operating performance and a healthy financial risk profile. The outlook may be revised to 'Positive' if there is a significant improvement in the off-taker's credit profile, improvements in the financial risk profile leading to higher than expected improvements in leverage and coverage ratios, and long- or medium-term PPA tie-ups for balance untied capacity at an attractive tariff rate. Conversely, the outlook may be revised to 'Negative' in cases of significant deterioration in PAF and PLF levels, elongation of the working capital cycle primarily due to delay in receipt of payments from off-takers, or significant deterioration in the operating performance and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	3911.63	3208.99
PAT	Rs. Cr.	213.09	220.42
PAT Margin	(%)	5.45	6.87
Total Debt/Tangible Net Worth	Times	2.20	2.57
PBDIT/Interest	Times	2.10	1.99

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

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
Indian Infrastructure Finance Company Limited	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	500.00	ACUITE AA- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	81.76	ACUITE AA- Stable Assigned
Rural Electrification Corporation Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2025	Simple	484.00	ACUITE AA- Stable Assigned
Indian Infrastructure Finance Company Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2025	Simple	934.24	ACUITE AA- Stable Assigned

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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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