CRISIL
Ratings

Rating Rationale

April 19, 2024 | Mumbai

Maithon Power Limited

Long-term rating upgraded to 'CRISIL AA+/Stable'; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.1062 Crore**
Long Term Rating	**CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Positive')**

Rs.500 Crore Non Convertible Debentures	**CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Positive')**
Rs.199 Crore Non Convertible Debentures	**CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Positive')**
Rs.450 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-tern bank facilities and non-convertible debentures of Maithon Power Limited (MPL) to **'CRISIL AA+/Stable'** from 'CRISIL AA/Positive' while reaffirming the short-term rating at 'CRISIL A1+'.

The upgrade in long-term rating reflects a corresponding upgrade in the long-term rating of MPL's parent, The Tata Power Company Ltd (TPCL; 'CRISIL AA+/Stable/CRISIL A1+'). This reflects strong linkages of MPL with the parent.

The ratings continue to reflect the company's strong availability-based tariff structure that provides regulated returns and track record of maintaining plant availability factor (PAF) above normative levels, healthy financial risk profile and strong operational, managerial and financial linkages with the parent (TPCL). These strengths are partially offset by exposure to counterparty risks and project-related risks.

CRISIL Ratings has **withdrawn** its ratings on Rs 500 crore of non-convertible debentures as the same were redeemed. The withdrawal is in line with CRISIL Ratings' withdrawal policy (See annexure - details of rating withdrawn for details). CRISIL Ratings has received independent confirmation and other relevant documents that these instruments are fully redeemed.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of MPL while arriving at the ratings. Currently, there is no support requirement from the parent; however, CRISIL Ratings understands that TPCL will provide the necessary support to MPL, in case of any requirement, given its strategic importance and economic incentive to and strong managerial, operational and financial linkages with TPCL. Therefore, for arriving at the ratings of MPL, CRISIL Ratings has applied its parent notch up framework.

Key Rating Drivers & Detailed Description

Strengths:

- **Availability-based tariff structure, providing regulated returns and adequate fuel security**
  MPL has tied up its entire capacity of 1,050 megawatt (MW) through long-term power purchase agreements (PPAs; for 30 years) under the classic two-part tariff structure, which allows full recovery of capacity charges if PAF is maintained above 85% on annual basis. Also, energy charges are recovered at actuals. The company has a strong track record of maintaining PAF above normative levels, enabling complete recovery of fixed cost, along with depreciation and fixed return on equity of 15.5% as approved by the Central Electricity Regulatory Commission (CERC). It is expected to maintain similar PAF over the medium term.

  MPL has fuel supply agreements for 100% of its coal requirement and has been maintaining coal inventory of over 30 days over the past five fiscals. While MPL has not faced any major issues with coal procurement in the past, adequate supply of domestic coal and timely replacement with import, when necessary, will be monitorable.

- **Healthy financial risk profile**
  MPL has healthy financial risk profile, marked by net debt* to earnings before interest taxes depreciation and amortisation ratio of 1.7 times during fiscal 2024 (2.0 times in fiscal 2023 and 2.3 times in fiscal 2022). Liquidity also remains strong, with cash and equivalents of around Rs 127 crore and unutilised bank lines of approximately Rs 300

crore as on March 31, 2024. Existing cash and equivalents and annual cash accrual of Rs 250-300 crore should cover yearly debt obligation over the medium term. Furthermore, regulated returns and long-term PPAs of 30 years will help to comfortably refinance debt, if needed. Larger-than-expected dividend payouts and/or any debt issuance to support the parent, or group subsidiaries impacting the financial risk profile will remain key rating sensitivity factors.

**Net debt = Total debt less cash and equivalents*

- **Strong operational, managerial and financial linkages with TPCL**
  MPL is strategically important to the parent, TPCL, and has strong operational, managerial and financial linkages with it. The company's strong financial risk profile backed by long-term PPA provides economic rationale for TPCL to extend need-based support in case of requirements. While MPL is currently not dependent on the parent for any support, CRISIL Ratings notes the strong support philosophy by the parent for its subsidiary, in case needed. Any change in the shareholding, support stance and/or credit rating of TPCL will remain a key rating sensitivity factor.

Weaknesses:

- **Exposure to counterparty risks**
  MPL has tied up capacity of 1,050 MW through long-term PPAs: 150 MW with Damodar Valley Corporation (DVC), 300 MW with Kerala State Electricity Board (KSEB) and 600 MW with Tata Power Trading Co Ltd (TPTCL), which has a long-term PPA of 300 MW each with West Bengal State Electricity Distribution Co Ltd (WBESDCL) and Tata Power Delhi Distribution Ltd (TPDDL). MPL faces the risk of delay in receipt of payments from counterparties as some of them have weak credit risk profiles. Receivables stood at around 49 days as on March 31, 2024 (16 days and 8 days during March 2023 and March 2022, respectively). The increase in fiscal 2024 was mainly due to one of the discoms not availing the benefit of the rebate period. However, CRISIL Ratings understands that the said discom had made the payment in early April 2024 (well within the PPA timeline) and the receivables position currently stands at ~15 days. The counterparty risk is also mitigated as counterparties avail a rebate of 2.25% for timely payment of bills. Though the counterparty risk persists, track record of timely payment by counterparties provides comfort.

- **Exposure to risks related to ongoing projects**
  The company is executing a flue gas desulphurisation project, with a total capital expenditure (capex) plan of Rs 777 crore. This exposes MPL to project-related risks including delay in approval of cost from CERC. However, the project is to be funded through a debt equity ratio of 70:30 and the equity requirements are expected to be funded through internal cash accruals. ~ 50% of the capex has been done till March 2023 and is scheduled to achieve commissioning by December 2024. While the project has seen delays in the past impacted by the Covid-19 pandemic, increase in the regulatory timelines by Ministry of Environment, Forest and Climate Change of India for completion of the project to December 2026 provides comfort.

Liquidity: Strong
Cash and equivalents stood at Rs 127 crore and the fund-based bank limit utilisation was Rs 22.50 crore (limit: Rs 325 crore) as on March 31, 2024. Existing cash and equivalents, unutilised bank lines and annual cash accrual of over Rs 250-300 crore per annum should be adequate for meeting the repayment obligation and incremental working capital requirement (if any) during fiscal 2025. Larger-than-expected dividend payouts and/or any debt issuance to support the parent, or group subsidiaries impacting the liquidity position will remain key rating sensitivity factors.

Outlook: Stable
The outlook is based on CRISIL Ratings' rating outlook on TPCL's (parent of MPL) debt instruments and bank facilities.

MPL will continue to benefit from steady cash accrual, backed by long-term PPAs.

Rating Sensitivity factors
Upward factors

- Sustenance of healthy operational cash flow with PAF remaining above normative levels (85%) and timely approval of ongoing capex by CERC
- Continued reduction in debt, leading to significant improvement in the financial risk profile
- Upgrade in the rating of TPCL

Downward factors

- Significant weakening of the operating performance, with PAF reducing below normative levels (85%) on a sustained basis
- Significant increase in the debt levels, impacting the financial risk profile
- Deterioration in liquidity owing to delay in payments from counterparties or any other factor

About the Company
MPL is a joint venture of TPCL (74%) and DVC (26%). The company has set up a 1,050 MW (2x525 MW) power plant in Maithon, Jharkhand. Unit 1 began commercial operations on September 1, 2011, and unit 2 on July 24, 2012. The entire capacity has been tied up through long-term PPAs: 300 MW, which was tied up with DVC is now reduced to 150 MW, with the balance 150 MW is being taken by KSEB, increasing the capacity tied up with the state electricity board to 300 MW; 600 MW is with TPTCL, which in turn has long-term PPAs of 300 MW each with WBESDCL and TPDDL.

Key Financial Indicators*

Particulars	Unit	2024	2023
Operating income	Rs crore	3,360	3,028
Profit after tax (PAT)	Rs crore	449	339
PAT margin	%	13.3	11.2

Adjusted debt/adjusted networth	Times	0.67	0.74
Adjusted interest coverage	Times	7.5	6.5

** As per company's abridged result*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
INE082G07071	Debentures	24-Dec-2020	6.25%	24-Dec-2025	199	Simple	CRISIL AA+/Stable
NA	Commercial paper	NA	NA	7-365 days	450	Simple	CRISIL A1+
NA	Term loan	NA	NA	March-2033	537	NA	CRISIL AA+/Stable
NA	Fund-based facilities	NA	NA	NA	25	NA	CRISIL AA+/Stable
NA	Non-fund-based limit	NA	NA	NA	100	NA	CRISIL AA+/Stable
NA	Fund & Non Fund Based Limits*	NA	NA	NA	100	NA	CRISIL AA+/Stable
NA	Fund & Non Fund Based Limits**	NA	NA	NA	250	NA	CRISIL AA+/Stable
NA	Fund & Non Fund Based Limits	NA	NA	NA	50	NA	CRISIL AA+/Stable

**Interchangeable with non-fund-based limit*
*** Interchangeable up to the extent of Rs 50 crore*

Annexure - Details of rating withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
INE082G07014	Debentures	30-Nov-2015	HDFC Bank Base Rate +15 basis points	30-Nov-2023	500	Simple	Withdrawn

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	562.0	CRISIL AA+/Stable		--	21-11-23	CRISIL AA/Positive	27-05-22	CRISIL AA/Stable	17-06-21	CRISIL AA/Stable	CRISIL AA/Stable
			--		--	26-05-23	CRISIL AA/Stable		--		--	--
Non-Fund Based Facilities	LT	500.0	CRISIL AA+/Stable		--	21-11-23	CRISIL AA/Positive	27-05-22	CRISIL AA/Stable	17-06-21	CRISIL AA/Stable	CRISIL AA/Stable
			--		--	26-05-23	CRISIL AA/Stable		--		--	--
Commercial Paper	ST	450.0	CRISIL A1+		--	21-11-23	CRISIL A1+	27-05-22	CRISIL A1+	17-06-21	CRISIL A1+	CRISIL A1+
			--		--	26-05-23	CRISIL A1+		--		--	--

Non Convertible Debentures	LT	699.0	CRISIL AA+/Stable		--	21-11-23	CRISIL AA/Positive	27-05-22	CRISIL AA/Stable	17-06-21	CRISIL AA/Stable	CRISIL AA/Stable
			--		--	26-05-23	CRISIL AA/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Fund & Non Fund Based Limits	**50**	**Axis Bank Limited**	**CRISIL AA+/Stable**
Fund & Non Fund Based Limits*	**100**	**Kotak Mahindra Bank Limited**	**CRISIL AA+/Stable**
Fund & Non Fund Based Limits**	**250**	**HDFC Bank Limited**	**CRISIL AA+/Stable**
Fund-Based Facilities	**25**	**State Bank of India**	**CRISIL AA+/Stable**
Non-Fund Based Limit	**100**	**State Bank of India**	**CRISIL AA+/Stable**
Term Loan	**537**	**State Bank of India**	**CRISIL AA+/Stable**

**Interchangeable with non-fund-based limit*
*** Interchangeable up to the extent of Rs 50 crore*

Criteria Details

Links to related criteria
[CRISILs Approach to Financial Ratios]
[CRISILs Bank Loan Ratings - process, scale and default recognition]
[Rating Criteria for Power Generation Utilities]
[CRISILs Criteria for rating short term debt]
[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support]

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