

R.K.M Powergen Private Limited

February 19, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|------------------|---------------------|---|
| Long Term / Short Term Bank Facilities | - | - | Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded to CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* from CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* and Withdrawn |

Details of instruments/facilities in Annexure-1

*Issuer did not cooperate; based on best available information

Rationale & Key Rating Drivers

CARE Ratings Ltd has downgraded and withdrawn outstanding rating of 'CARE BB; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COOPERATING (Double B; Outlook: Stable; ISSUER NOT COOPERATING/ A Four; ISSUER NOT COOPERATING) assigned to the bank facilities of R.K.M Powergen Private Limited (RKMPPPL) with immediate effect. The above action has been taken at the request of RKMPPPL and 'No Objection E-mails' received from the lenders those have extended the facilities rated by CARE Ratings Ltd.

The ratings assigned to the bank facilities of RKMPPPL are revised on account of non-availability of requisite information. Further, the revision also factors in the search conducted by Enforcement Directorate (ED) with regards to alleged fraudulent acquisition of coal block by RKMPPPL. The ratings assigned to the bank facilities of RKMPPPL also remained constrained on account of lack of long-term / medium-term power purchase agreements (PPAs) for a significant portion of its power generation capacity thereby exposing it to price and volume risk associated with the merchant market and high variable cost of power generation due to lack of railway siding which affects the cost competitiveness of the power generated from the plant. The ratings are also tempered due to counterparty risk emanating for sale of power to weak state power distribution companies (Discoms), inherent risk associated with implementation of flue gas desulphurization (FGD) system and railway siding. The ratings, however, derive strength from long-term PPA in place for 350 MW power generation capacity with U.P. Power Corporation Limited (UPPCL) along with availability of fuel supply arrangements for meeting fuel requirement under the long-term PPA with UPPCL. The ratings also draw comfort from high realization by RKMPPPL in the merchant market coupled with stable financial performance during FY24.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers

At the time of last rating dated October 04, 2024, the following were the rating strengths and weaknesses (updated based on publicly available information)

Key Weaknesses

Search conducted by Enforcement Directorate

Enforcement Directorate (ED) conducted search under the provisions of Prevention of Money Laundering Act with regards to alleged fraudulent acquisition of coal block by RKMPPPL. During the search ED has found misuse of loan of Rs.3800 crore taken from Power Finance Corporation (PFC) and round-tripping of ₹1,800 crore through foreign entities. Assets worth ₹1,000 crore, including fixed deposits and documents, were seized.

Exposure to risk pertaining to lower merchant power tariff and demand; albeit high merchant realisation during FY23:

Out of total power generation capacity of RKMPPPL, only 350 MW capacity has been tied-up under long-term PPA with UPPCL. Balance capacity is either un-tied or PPAs are not operational. Thus, a significant portion i.e., around 76% of the total installed power generation capacity of RKMPPPL is open which exposes it to volatility in the merchant power tariffs and demand. The merchant power tariffs are a function of various variables including availability of fuel, fuel cost, generation cost from alternative sources, demand-supply situation and average plant load factor (PLF) of the power plants. However, during FY22 and FY23, due to high power demand in the country, RKMPPPL's realizations from the merchant power market have improved

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

significantly to ₹4.19/kWh and ₹7.08/kWh respectively as against ₹2.65/kWh in FY21 which has led to an improvement in its operational and financial performance.

High variable cost of generation:

There is no permanent railway siding constructed near the plant site of RKMPPPL and therefore, the fuel is transported to the plant site from the nearest railway station using dumpers. This coupled with reliance on domestic e-auction coal, moderate operating efficiencies in terms of station heat rate and auxiliary consumption leads to high variable cost of power generation for RKMPPPL which affects the cost competitiveness of the power generated from the plant. However, commissioning of railway siding and securing additional linkage for domestic coal is expected to lead to a decline in the variable cost of power generation of RKMPPPL thereby leading to better cost competitiveness.

Counterparty risk emanating for sale of power to weak state Discoms:

RKMPPPL, through its long-term PPA with UPPCL, has exposure to the state Discoms of Uttar Pradesh. UPPCL is the holding company of power distribution companies for the state of Uttar Pradesh. UPPCL has weak financial risk profile, with sustained net losses, high gearing levels and significantly stretched payables days. The Discoms under UPPCL have been reporting high aggregate technical & commercial (AT&C) losses and average cost of supply and average realizable revenue (ACS-ARR) gap. Also, in May 2022, RKMPPPL signed a 3-year PPA with the Haryana Discoms which also has a weak financial risk profile. Consequently, timely realization of receivables by RKMPPPL from its counterparties would be a key rating monitorable. Nevertheless, the company has received 4-weeks revolving letter of credit (LC) from UPPCL as payment security mechanism. As on March 31, 2023, RKMPPPL had outstanding receivables of around ₹135 crore from PTC India Limited (PTC), an aggregator supplying power to the Telangana Discom. RKMPPPL discontinued supplies under the said PPA since October 2021 (which was valid till February 2023) due to significant delays by the Telangana Discom in making the payments. Also, the key off-taker of RKMPPPL i.e., UPPCL has opted to clear the outstanding dues as on June 03, 2022 in 40 equal instalments under the Electricity (LPS and Related Matters) Rules, 2022 (LPS scheme). The aggregate receivables of RKMPPPL reduced from around Rs.750 crore at FY22 end to around Rs.374 crore at FY23 end mainly due to realization of dues from UPPCL under the LPS scheme and also realization of part dues from the Telangana Discom.

Inherent risk associated with implementation of FGD system and railway siding:

RKMPPPL has two major capex plans relating to installation of FGD system and construction of railway siding and other ancillary capex. The total cost of FGD is proposed to be funded in a debt-to-equity ratio of 70:30. The said capex is expected to be incurred in FY25 and FY26 as the timelines for FGD installation has been shifted till December 31, 2026. Equity requirement for the FGD capex will be met through internal accruals whereas debt tie-up is pending. The total capex requirement for construction of railway siding and other ancillary capex is around ₹300 crore which would be funded through the available free cash & cash equivalents. Debt-funded capex plans on the back of moderate financial risk profile exposes RKMPPPL to inherent project implementation risk, including time and cost overrun.

Key strengths**Operational power project with long-term PPA in place for 350 MW power generation capacity:**

RKMPPPL commissioned its entire power generation capacity of 1,440 MW by March 2019. RKMPPPL has signed long-term PPAs with UPPCL for 350 MW and with Chhattisgarh State Power Utility for 35% of the power generation capacity (30% on a cost-plus basis and 5% on a variable cost basis). Out of the said long-term PPAs, PPA of only 350 MW with UPPCL is operational whereas PPA with Chhattisgarh State Power Utility is non-operational. In May 2022, RKMPPPL signed a 3-year PPA with the Haryana Discoms. However, RKMPPPL has not commenced any power supplies under the said PPA till date. Earlier RKMPPPL had also signed a 3-year PPA of 550 MW with Telangana Discom which was valid till February 2023. However, RKMPPPL discontinued supplies under the said PPA since October 2021 due to significant delays by the Telangana Discom in making the payments. The supplies under the Haryana PPA are expected to commence from FY25 onwards once domestic linkage coal is secured by the company. Also, RKMPPPL is endeavouring to tie-up additional capacity under long-term / medium-term PPAs. The long-term and medium-term PPAs of RKMPPPL provide a medium-term revenue visibility to the company.

Fuel supply arrangements meeting fuel requirement under long-term PPA:

RKMPPPL's total requirement for running the plant at 85% PLF (considering station heat rate of 2,440 kCal/kWh and gross calorific value (GCV) of coal of 3,600 kCal/kg) is around 7.27 million metric tonne per annum (MMTPA). As against the same, RKMPPPL has signed a long-term fuel supply agreement (FSA) of 1.79 MMTPA with the subsidiaries of Coal India Limited in order to meet the fuel requirement of its PPA with UPPCL. For balance fuel requirement, RKMPPPL is dependent upon domestic e-auction coal. The fuel supplies under the long-term FSA mitigates fuel supply risk for supplies under the long-term PPA. Also, in

order to secure domestic coal for the Haryana PPA, the company is expected to participate in the forthcoming auctions under the Scheme for Harnessing and Allocating Koyala Transparently in India (SHAKTI) policy.

Stable financial performance during FY24:

RKMPPL reported PLF of 77.51% in FY24 as against 47.55% in FY23. As a result, the total operating income (TOI) of RKMPPL increased from ₹3,091 crore in FY23 to ₹3,892 crore in FY24. PBILDT margin declined from 32.95% in FY23 to 30.70% in FY24 whereas PAT margin improved from 5.01% in FY23 to 10.42% in FY24. RKMPPL's leverage and debt coverage indicators improved in FY24. Its overall gearing stood at 0.95x in FY24 as against 1.14x in FY23 whereas its total debt / PBILDT stood at 4.12x in FY24 as against 5.32x in FY23. PBILDT interest coverage in FY24 was 2.01x as against 1.54x in FY23.

Applicable criteria

[Withdrawal Policy](#)

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Thermal Power](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company

Incorporated in December 2004, RKMPPL has set-up and operates a 1,440 MW (360 MW x 4 units) coal-based thermal power generation plant in Uchpinda, Janjgir-Champa district of Chhattisgarh. RMPPL was promoted as a joint venture (JV) company between R.K. Powergen Private Limited (holding 46.66% equity stake in RKMPPL), Mudajaya Corporation Berhad, Malaysia (MCB) (holding 10.93% stake in RKMPPL) and Enerk International Holdings Limited (holding 8.10% stake in RKMPPL). The balance shareholding in RKMPPL is held by the lenders post implementation of the resolution scheme. Unit-I of the project was commissioned in November 2015, followed by unit-II in February 2016, unit-III in November 2017 and unit-IV in March 2019. The project was commissioned at a project cost of ₹13,827.71 crore (₹9.60 crore per MW), including multiple cost overruns.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|
| Total operating income | 3091 | 3892 |
| PBILDT | 1019 | 1195 |
| PAT | 155 | 405 |
| Overall gearing (times) | 1.14 | 0.95 |
| Interest coverage (times) | 1.54 | 2.01 |

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---------------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT/ ST-Cash Credit | | - | - | - | 0.00 | Withdrawn |

Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|--------|--|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT/ ST-Cash Credit | LT/ST | - | - | 1) CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (19-Feb-25) 2) CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (04-Oct-24) | 1)CARE BB+; Stable / CARE A4+ (05-Jul-23) | - | - |

*Issuer did not cooperate; based on best available information.
LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|---------------------------------|------------------|
| 1 | Fund-based - LT/ ST-Cash Credit | Simple |

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages our domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments including commercial papers, corporate bonds and debentures, and structured credit.

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