Lalitpur Power Generation Company Limited

February 04, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	7702.00 (Reduced from Rs. 8343.00 crore)	IVR AA-/ Stable (IVR Double A Minus with Stable Outlook)	IVR A/ Stable (IVR Single A with Stable Outlook)	Rating Upgraded	Simple
Long Term / Short Term Bank Facilities	180.00 (Reduced from Rs. 270.00 crore)	IVR AA-/ Stable / IVR A1+ (IVR Double A Minus with Stable Outlook / IVR A One Plus)	IVR A/ Stable / IVR A1 (IVR Single A with Stable Outlook / IVR A One)	Rating Upgraded	Simple
Total	**7882.00 (Rupees Seven thousand eight hundred and eighty-two crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded the long-term rating and short-term rating assigned to the bank facilities of Lalitpur Power Generation Company Limited (LPGCL). The rating action reflects steady improvement in the financial risk profile of LPGCL as a result of continued debt reduction strategy, improved liquidity cushion backed by debt prepayments and reduced dependence on working capital limits. The company has made prepayment of principal instalments of its rupee term loans till March 2027 and partially for June 2027 and onwards.

In addition, there is an enhancement in escrow collection limit from Rs.341 crore to Rs.565 crore per month from September 2024 with additional pockets assigned to LPGCL by Uttar Pradesh Power Corporation Limited (UPPCL) resulting in higher escrow collections of ~59% during 9MFY25 as against ~43% in FY24 (refers to the period April 1 to March 31) leading to lesser dependence on direct payments by UPPCL.

The rating continues to factor in full capacity tied up in long-term Power Purchase Agreement (PPA) providing strong revenue visibility, fuel supply risk mitigated through firm long-term Fuel Supply Agreement (FSA), healthy escrow collections providing stability in cash flows, operational track record with adequate plant availability levels, improved capital structure and debt protection metrics and experienced promoters. The rating strengths are, however constrained by counterparty credit risk associated with weak off-taker, UPPCL, and pending approval of final project cost and tariff by Uttar Pradesh Electricity Regulation Commission (UPERC).

The stable outlook reflects LPGCL's established operational track record, presence of a long-term PPA under cost-plus tariff principles, availability of fuel under long-term linkage and timely cash flows received from UPPCL both through direct collection and escrow mechanism.

Key Rating Sensitivities:

Upward Factors

- Sustained timely collections of monthly dues via escrow and directly with average escrow collections above 80% resulting in reduced dependence on direct payments from UPPCL.
- Significant improvement in leverage and debt protection metrics.
- Improvement in the operational performance of the company resulting in higher revenues and profitability on a sustained basis.

Downward Factors

- Deterioration in receipt of payments from UPPCL adversely impacting cash flows and liquidity position, significant deterioration in credit profile of off taker.
- Under performance of operating parameters as against normative, leading to under recovery of costs thereby impacting cash flows and debt servicing.
- Disallowance in approval of the project capital cost by the UPERC.
- Large debt-funded capex or further investment in group companies, leading to deterioration of capital structure and liquidity of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Full capacity tied up in long-term PPA providing strong revenue visibility.

The company has its entire capacity of 1,980 MW tied up with UPPCL for 25 years on a take-or- pay basis. The availability-based tariff under PPA is on a two-part basis (Capacity and Energy charges) which is determined on the basis of UPERC regulations. The capacity charges are recoverable in full on the company achieving the normative Plant Availability Factor (PAF) of 85%. In case the plant availability is lower than the normative PAF, the capacity charges are recoverable on a pro rata basis. The energy charge is determined on the basis of landed cost of fuel applied on the quantity of fuel consumption. The cost of fuel is on the basis of pre-approved normative operating parameters like station heat rate, secondary oil consumption, auxiliary consumption as per UPERC regulations and is a pass-through item.

Fuel supply risk mitigated through firm long-term FSAs

The company has signed multiple long-term FSAs with subsidiaries of Coal India Limited and has secured 8.35 MTPA of long-term coal linkages. LPGCL has ensured coal tie-up which is sufficient for meeting 85% PAF. Moreover, in case of any further coal requirement or unavailability of coal, LPGCL can procure coal from other sources such as special forward e-auction and if in the process any price variance arises, it is fully passed through to UPPCL. This protects from any major fluctuations in fuel cost.

Healthy escrow collections provide stability in cash flows

LPGCL has been earmarked exclusive geographies from where the earmarked collections now have increased to Rs 565 crore from Rs.341 crore and now accounts for 100% of monthly collections at an estimated PAF of 85%, under a tripartite agreement between UPPCL, LPGCL and escrow agent banks, wherein it receives collections directly from end customers of UPPCL. Collections in escrow accounts are wholly & exclusively for LPGCL. In FY22, the company received around Rs.238 crore average monthly collections through this mechanism, a number which increased to around Rs.335-345 crore in FY23 and FY24 and has further increased to around Rs.455 crore since September 2024. Collections routed through escrow mechanism has increased to around 75-85% of total collections since September 2024 as compared to ~50% in FY24. Backed by increasing power demand, cashflows from this segment are expected to remain healthy. In addition, direct average monthly collections from UPPCL have been within 45 days supported by the Late Payment Surcharge Scheme launched in June 2022. Stable cashflows through escrow and direct collections while maintaining the liquidity cushion will remain a key rating monitorable over the medium term.

Operational track record with adequate plant availability levels

The plant availability factor has remained higher than the normative level of 85% in the past years. It was 91% in FY24, 85.4% in FY23 and 85.3% in FY22 thus ensuring full recovery of capacity charge. Other operational parameters like station heat rate and auxiliary consumption have been within normative range. The Plant Load Factor (PLF) improved to 71% in FY24 from 65.4% in FY23 as against 55.1% in FY22. The PAF and PLF for 9MFY25 stood satisfactory at 95.3% and 75.5% respectively.

Improved capital structure and debt protection metrics

The financial leverage level for the company has been improving due to repayments and prepayments over the last two years, with overall gearing ratio and TOL/TNW at 1.09x and 1.25x respectively as on March 31, 2024, as against 2.12x and 2.32x respectively as on March 31, 2022. Considering the long-term stable infrastructure nature of the asset backed by take or pay agreement, the overall gearing for LPGCL is considered comfortable backed by strong net worth base of Rs.7051.40 crore as on March 31, 2024. After adjusting tangible networth for investments in and receivables from associate companies the leverage moderates to over 2 times. Total debt/EBITDA improved to 3.74x in FY24 from 5.78x in FY22. The debt protection metrics have improved with Debt Service Coverage Ratio of 2.25x and interest coverage of 1.79x in FY24. The company has prepaid term loan instalments till March 2027 and partially for June 2027 and onwards. Therefore, only interest is to be serviced till March 2027. The foreign currency term loan of ~Rs.201 crore has been prepaid on January 30, 2025. Going forward also the company plans to continue prepaying the term loan instalments as and when liquidity is available, thereby leading to savings in interest cost and easing the debt servicing requirement for the period. Thus, capital structure and debt protection metrics expected to continue to improve in FY25.

Experienced promoters

The Shishir Bajaj group has diversified businesses including sugar and ethanol production, bagasse-based co-generation of power, manufacturing, and marketing of FMCG products and coal-based power generation. The group through its subsidiaries holds the entire shareholding of LPGCL. Mr Kushagra Nayan Bajaj is the Executive Chairman of LPGCL. The promoters are ably supported by the senior management team which has several years of experience in finance, marketing, and production across diverse sectors.

Key Rating Weaknesses

Counterparty credit risk associated with weak off-taker

The counterparty credit risk remains high for LPGCL because the financial profile of UPPCL continues to be weak and continues to be governed by the government's directives. The average working capital cycle has remained stretched in the past due to pending dues from UPPCL. While there has been an improvement in receiving monthly billing from escrow collections to 75-85% since September 2024, delays have been observed in the past for the remaining payments which are paid directly by UPPCL. The total receivables from UPPCL stood at Rs.1058 crore as on November 30, 2024. As per the management UPPCL has been regularly paying towards the receivables partially supported by the LPS scheme. However, in FY22 and FY24, the government had unilaterally transferred a total amount of Rs.2361 crore payable to LPGCL to sugar cane farmers (sugar cane dues of group company of LPGCL were paid off in this manner). Going forward, the realization of the balance dues including additional claims from UPPCL and consistent maintenance in average monthly escrow collections are crucial for sustaining its liquidity position.

Pending approval of final project cost and tariff by UPERC

The capital cost for the 1,980 MW project of LPGCL increased by 53% to Rs. 18,575 crore against the initially appraised cost of Rs. 12,112 crore, because of a mix of issues including additional costs associated with auxiliary infrastructure (canal lining, water intake system and railway siding). The company has also attributed the same to delays in commissioning of the transmission line by the state transmission utility and the additional cost to works executed on behalf of Uttar Pradesh discoms. The approval for the final project cost and tariff from UPERC are pending, presently the company is billing to UPPCL based on provisional tariff order of cost approved at Rs. 14,269 crore. The approval of the project cost as appraised by the banks (Rs. 17,725 crore excluding margin money for working capital of Rs. 850 crore), without major disallowances and the consequent increase in capacity charges for the previous years, is a key monitorable.

Analytical Approach: Standalone.

Applicable Criteria:

Rating Methodology – Infrastructure Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Strong

The company's liquidity position is characterised by low utilisation of working capital limits at 23.46% for the last 12 months ended December 31, 2024. The company had reduced its fund-based working capital limits earlier as the escrow collections and reduced limits will suffice to meet its operational expenses. Further, the company has already prepaid its principal obligations on all rupee term loans till March 2027 and partially for June 2027 and onwards. The company has conveyed that it remains committed to use all surplus cashflow towards prepayment of its debt obligations. It has prepaid about 4-5 quarters of maturing debt obligations. There are no major cash outflows expected from the company in the form of dividend, or any major capex expenditure or any unexpected support to group companies as of now.

About the Company

Lalitpur Power Generation Company Limited, incorporated on September 4, 2009, is owned by the Shishir Bajaj group. The shareholding of LPGCL is amongst Bajaj Hindusthan Sugar Limited (16.92%), Bajaj Energy Limited (20.01%), and Bajaj Power Ventures Private Limited (63.07%). It has set up a super critical thermal power plant in Lalitpur district, Uttar Pradesh. The plant has three identical units of 660 MW each with a total capacity of 1,980 MW. The first unit of the project was commissioned in October 2015, followed by the second unit in October 2016 and the third unit in December 2016.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	6629.09	6359.42
EBITDA	1980.05	2050.99
PAT	320.10	478.53
Total Debt	11439.23	7670.59
Tangible Net Worth	6573.02	7051.43
EBITDA Margin (%)	29.87	32.25
PAT Margin (%)	4.38	6.94
Overall Gearing Ratio (x)	1.74	1.09
Interest Coverage (x)	1.43	1.79

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None.

Any other information: None.

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					July 12, 2024	August 22, 2023	February 09, 2023	March 25, 2022
1.	Term Loan	Long Term	5913.00 (Reduced from Rs. 6554.00 crore)	IVR AA-/ Stable	IVR A / Stable	IVR A-/ Stable	IVR BBB+/ Stable	IVR BBB-/ Stable
2.	Cash Credit	Long Term	1789.00	IVR AA-/ Stable	IVR A / Stable	IVR A-/ Stable	IVR BBB+/ Stable	IVR BBB-/ Stable
3.	Bank Guarantee	Long Term / Short Term	122.00	IVR AA-/ Stable / IVR A1+	IVR A / Stable / IVR A1	IVR A-/ Stable / IVR A2+	IVR BBB+/ Stable / IVR A2	IVR BBB-/ Stable / IVR A3
4.	Letter of Credit	Long Term / Short Term	33.00	IVR AA-/ Stable / IVR A1+	IVR A / Stable / IVR A1	IVR A-/ Stable / IVR A2+	IVR BBB+/ Stable / IVR A2	IVR BBB-/ Stable / IVR A3
5.	Forward Contract	Long Term / Short Term	25.00 (Reduced from Rs. 115.00 crore)	IVR AA-/ Stable / IVR A1+	IVR A / Stable / IVR A1	IVR A-/ Stable / IVR A2+	IVR BBB+/ Stable / IVR A2	IVR BBB-/ Stable / IVR A3

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	September 2037	5913	IVR AA-/ Stable
Cash Credit	-	-	-	-	1789.00	IVR AA-/ Stable
Bank Guarantee	-	-	-	-	122.00	IVR AA-/ Stable / IVR A1+
Letter of Credit	-	-	-	-	33.00	IVR AA-/ Stable / IVR A1+
Forward Contract	-	-	-	-	25.00	IVR AA-/ Stable / IVR A1+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-LPGCL-feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable.

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.