February 28, 2025

Maheswari Mining and Energy Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based - Term loan	146.10	146.10	[ICRA]BB+ (Stable); reaffirmed
Total	**146.10**	**146.10**	

**Instrument details are provided in Annexure-1*

Rationale

The rating action for Maheswari Mining and Energy Private Limited (MMEPL) factors in the long-term power purchase agreements (PPAs) for the entire renewable power generation capacity of 63.21 MW, including the generation assets under its subsidiaries, which are entirely operational. The rating also considers the demonstrated operating track record of the 25-MW operational solar plants in Telangana with a generation performance close to the P-90 PLF estimate. Further, the rating draws comfort from the improved payment track record of Telangana State Southern Power Distribution Company Limited (TSSPDCL) with the payment cycle improving to 3 months in FY2024, from 16 months in FY2022 and earlier, resulting in the long outstanding dues being recovered under the Late Payment Surcharge (LPS) scheme.

The rating is, however, constrained by the subdued generation performance of the solar assets in Assam (10 MW) and Uttar Pradesh (20 MW) and the distributed solar rooftop projects (8.21 MW) with the average PLFs remaining well below the P-90 PLF estimates. The installation of the pending 2 MW DC capacity in Assam and an improvement in the generation performance of the plants would remain key monitorables from the credit perspective. The liquidity position remains stretched due to the lumpy repayment terms, a subdued generation performance, and the utilisation of Telangana State Southern Power Distribution Company Limited (TSSPDCL) recoveries for loan prepayment without a commensurate reduction in future scheduled debt repayments, increasing the risk of cash flow timing mismatches. Nonetheless, ICRA notes that the promoters have extended liquidity support in the form of equity and unsecured loans from time to time.

The rating is further constrained by the risk of grid curtailment for the Telangana projects, given the relatively high tariff of Rs. 6.45 per unit, which is higher than the average power purchase cost of the state power distribution utility. However, comfort can be drawn from the competitive tariff rates of Rs. 3.44- Rs. 5.87 per unit offered by the projects in Assam and Uttar Pradesh. The rating also factors in the risks of variability in solar generation, adverse interest rate movement and exposure to the regulatory challenges of implementing the scheduling and forecasting requirements. Nonetheless, comfort can be drawn from the company's adequate debt coverage ratios, which can withstand the adverse variation in PLF performance or increase in interest rates to a certain extent.

The Stable outlook on the rating reflects ICRA's opinion that the company would benefit from the long-term PPAs, demonstration of healthy generation performance of Telangana solar assets, and the improved payment discipline of the state discom, which is expected to keep its credit metrics at a satisfactory level commensurate with the current rating category.

Key rating drivers and their description

Credit strengths

Long-term PPAs mitigate demand and pricing risks - The company has signed a PPA with TSSPDCL at a tariff of Rs. 6.45 per unit for the 20-MW capacity operational in Telangana and valid for 20 years till FY2036. Further, MMEPL has signed a PPA with Uttar Pradesh Power Corporation Limited (UPPCL) for 20-MW capacity at a tariff of Rs 3.02- 3.04 per unit and with Assam

Power Distribution Company Limited (APDCL) for 10-MW capacity at Rs 3.19 per unit, which limits the demand and pricing risks. The assets under the two subsidiaries, 5 MW in Telangana and 8.21-MW rooftop projects across multiple states, have also tied up long-term PPAs for the entire capacity at fixed rates of Rs. 6.45 per unit and Rs. 1.899 - 3.33 per unit, respectively.

Satisfactory operating track record of Telangana projects since commissioning - MMEPL reported a plant load factor (PLF) of 16.89% since commissioning in March 2016 for the 20-MW Telangana asset, which is only slightly lower than the P-90 PLF estimate of 18.9% (after adjusting for module degradation). The performance of the 5-MW asset under its subsidiary –Abijit Solar Energy Private Limited (ASEPL) –also remains satisfactory at more than P-90 estimate.

Timely infusion of funds by promoter group - The promoter group has consistently infused funds over the years to support the liquidity gaps and to fund the capex. The total promoter funding (equity+ unsecured loans) accumulated to Rs. 116.60 crore as on March 31, 2024.

Credit challenges

Subdued generation performance of the recently commissioned plants in Assam, UP and rooftop solar assets - The generation performance of Assam (10MW), Uttar Pradesh (20MW) and the distributed roof-top projects under MB Green Energy Private Limited (MBGEPL) has been subdued with the average PLFs remaining below the P-90 PLF estimates. This can be attributed to the pending installation of the full DC capacity and the stabilisation period during the initial months. Given the single-part tariff under the PPA, the revenues and cash flows of the company remain exposed to the generation performance of the solar power assets.

High counterparty credit risk – The company's operations are exposed to high counterparty credit risk as TSSPDCL is the single offtaker for the 25-MW solar capacity in Telangana, exposing the company to payment delays from time to time. Nonetheless, the payments have improved post the implementation of the LPS scheme and the payments from TSSPDCL are now being received timely typically within 3 months. Further, the company is exposed to the counterparty credit risk of Assam Power Distribution Company Limited) (APDCL) and Uttar Pradesh Power Corporation Limited (expand) (UPPCL) for the 10-MW and 20-MW plants, respectively, because of their subpar financial profiles. Nonetheless, the payments have been regular in these projects since commissioning.

Weak cost competitiveness of PPA tariff of operational Telangana projects – MMEPL remains exposed to the risk of grid curtailments by TSSPDCL in the future, given the relatively high PPA tariff against the average power purchase cost (APPC) of the utility and a declining trend in the competitively bid tariff rates for sourcing solar energy. However, this risk is lower for the recently commissioned projects in Assam and Uttar Pradesh, where the tariffs are competitive in comparison to the APPC of the respective states.

Exposed to interest rate and regulatory risks - The debt coverage metrics remain exposed to the interest rate movement, given the leveraged capital structure and single-part fixed nature of the tariff under the PPAs. Further, the company's operations remain exposed to the regulatory risk pertaining to scheduling and forecasting requirements.

Stretched liquidity position increases the possibility of cash flow timing mismatches - The liquidity position remains stretched due to the non-revision of repayment terms despite the reduction in outstanding debt following the receipt of subsidy for the distributed rooftop projects. The subdued generation performance of the recently commissioned projects has further impacted the cash flows, adding to the pressure on liquidity. Additionally, the dues realised from TSSPDCL were utilised to prepay an unsecured loan, limiting the availability of funds for operational expenses and debt servicing. These factors have collectively increased the risk of cash flow timing mismatches, increasing the dependence on external funding support to manage the liquidity gaps.

Liquidity position: Stretched

The liquidity position is stretched owing to the lump scheduled debt repayments, the subdued generation performance of the recently commissioned projects, and utilisation of dues realized from TSSPDCL towards prepayment of unsecured loan. At a consolidated level, the available unencumbered cash balances in books as on October 30, 2024, were Rs. 1.05 crore along with DSRA of Rs. 11.89 crore.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant improvement in the generation performance of the operational plants, leading to an improvement in the credit metrics and liquidity profile.

Negative factors – The rating can be downgraded in case of an underperformance in generation by the solar power assets, which will adversely impact the company's liquidity position. Any large debt-funded capex by the company could be another trigger for downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Solar
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of the company. The list of subsidiaries considered for consolidation is provided in Annexure II

About the company

MMEPL, incorporated in 2009, had set up two renewable solar power plants of 10-MW AC each at Peerampally village and Kothagadi village in the Vikarabad district of Telangana. MMEPL has signed a PPA with TSSPDCL for 20-MW AC at a tariff of Rs. 6.45 for 20 years. The commercial operations at both the solar power plants commenced from March 31, 2016. Further, in FY2022, the company commissioned a 10-MW solar power plant at Khonajan Grant village, in the Nagaon district of Assam, and a 20-MW solar power plant at Manikpura village, in the Jhansi district of Uttar Pradesh. The company has signed long-term PPAs with the respective state discoms for a period of 25 years at tariff of Rs. 3.02-3.04 per unit for 20 MW at Uttar Pradesh and Rs. 3.19 per unit for the 10-MW Assam project. The company had also planned to set up another 20-MW solar power plant in Uttar Pradesh which was later cancelled as the commissioning timelines could not be extended. In this context, a penalty had been levied by the customer. In addition, MMEPL operates a 5-MW solar power plant under Abijit Solar Energy Private Limited (ASEPL) and has set up 8.21-MW rooftop solar plants under MB Green Energy Private Limited (MBGEPL).

MMEPL is promoted by MBG Commodities Private Limited (MBGEPL), which has been providing coal imports and coal handling services for the past four decades. MBGEPL has an 11.31% shareholding in MMEPL, with the other shares held by individual shareholders of the promoter group.

Key financial indicators (audited)

MMEPL (Consolidated)	FY2023	FY2024
Operating income (Rs. crore)	38.44	43.83
PAT (Rs. crore)	-8.40	-10.00
OPBDIT/OI (%)	68.29%	64.63%
PAT/OI (%)	-21.86%	-22.81%
Total outside liabilities/Tangible net worth (times)	2.91	2.22
Total debt/OPBDIT (times)	11.13	9.53
Interest coverage (times)	1.06	1.08

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

NOTE: Debt includes promoter contribution in the form of subordinated debt

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Feb 28, 2025	Nov 21, 2023	Sep 21, 2022	Oct 18, 2021
1	**Term loan**	Long-Term	146.10	**[ICRA]BB+ (Stable)**	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB- (Stable)
2	**Unallocated**	Long-Term / Short-Term	-	-	[ICRA]BB+ (Stable) / [ICRA]A4+; reaffirmed and withdrawn	[ICRA]BB+ (Stable) / [ICRA]A4+	[ICRA]BBB- (Stable) / [ICRA]A3

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loan – I**	Nov 2015	-	Mar 2028	20.50	[ICRA]BB+ (Stable)
NA	**Term Loan – II**	Jun 2017	-	Jun 2029	24.55	[ICRA]BB+ (Stable)
NA	**Term Loan – III**	Dec 2021	-	Sep 2036	28.06	[ICRA]BB+ (Stable)
NA	**Term Loan – IV**	Dec 2021	-	Sep 2036	72.99	[ICRA]BB+ (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Abijit Solar Energy Private Limited	100%	Full Consolidation
MB Green Energy Private Limited	100%	Full Consolidation

Source: Company

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About ICRA Limited:

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