July 09, 2025

DB Power Limited: [ICRA]AA+ (Stable)/[ICRA]A1+ assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term fund-based facilities – Long-term loan	3,782.00	[ICRA]AA+ (Stable); assigned
Long term fund-based facilities - Working capital limits	775.00	[ICRA]AA+ (Stable); assigned
Short term non-fund based facilities - LC/BG	600.00	[ICRA]A1+; assigned
Long term - Unallocated limits	43.00	[ICRA]AA+ (Stable); assigned
Total	5,200.00	

**Instrument details are provided in Annexure I*

Rationale

The ratings assigned to DB Power Limited (DBPL) factor in the high revenue visibility for its 1,200-MW thermal power capacity (comprising two units of 600 MW each), supported by the availability of long-term power purchase agreements (PPAs) for over 80% of the project capacity.

The company has long-term PPAs for a contracted capacity of 208 MW with Tamil Nadu Power Distribution Corporation Limited (TNPDCL; erstwhile TANGEDCO) with expiry in March 2029, and 311 MW with PTC India Limited (PTC; rated: [ICRA] A1+) which supplies to Rajasthan Rajya Vidyut Prasaran Limited (RRVPL) with expiry in March 2040. The company also supplies 5% of the capacity to the host state utility (Chhattisgarh) at the rate of energy charges. DBPL has also started supplying power to Gujarat Urja Vikas Nigam Limited (GUVNL) in FY2025 for 293-MW capacity under a 15-year long term PPA. In May 2025, DBPL signed a long-term PPA with Assam Power Distribution Company Limited (APDCL) for 125-MW capacity, wherein 50-MW power supply will commence from FY2026, and the balance supply of 75 MW will start from FY2029. All these PPAs have a two-part tariff structure, which ensures the recovery of capacity charges based on plant availability. While the PPAs with TNPDCL and PTC have a mix of escalable and non-escalable charges for fuel cost recovery, the PPAs with the Gujarat and Assam distribution utilities have fuel cost pass-through based on normative station heat rate and auxiliary consumption. This is expected to largely mitigate the risks related to fuel cost variation for the company.

The company has fuel supply arrangement (FSA) for around 76% of its capacity, mitigating the fuel supply risk. The fuel tie-up is expected to further improve to over 80% once the FSA is signed for the APDCL PPA. Also, improved domestic coal availability has lowered the cost of coal procurement through the e-auction route. DB Power benefits from its proximity to the coal mines and its own railway siding, which helps in timely and cost-effective coal procurement. This enables the company to achieve a competitive cost of generation and, thereby, a favourable merit order position for power offtake through its PPAs in the respective states. This also enables the company to achieve healthy profitability from the sale of power in the merchant market.

ICRA derives comfort from DBPL's adequate operating efficiency with a plant availability factor (PAF) above 90% in FY2024 and FY2025 against the normative availability of 85% for the PPA with TNPDCL and PTC-Rajasthan and 90% for the PPA with GUVNL and APDCL. The plant load factor (PLF) also remained close to 85% in FY2024 and FY2025, which is well above the national average. Further, the power plant has been able to keep its station heat rate and auxiliary consumption better than the normative level.

The ratings reflect DBPL's strong financial risk profile, supported by healthy debt coverage metrics and a moderate leverage level. This is expected to sustain, going forward, supported by the long-term PPAs at attractive tariff rates, coal linkage availability and strong operating efficiency. Additionally, DBPL maintains a comfortable liquidity position, backed by strong operational cash flow, free cash balances and undrawn working capital limits.

However, the ratings are constrained by demand and tariff risks arising from the expiry of the PPA with TNPDCL (~18% of capacity) in FY2029 and the current untied capacity which is selling power through the merchant market. Further, the company remains exposed to the adverse movement in fuel prices for the capacity exposed to the merchant market, given the absence of coal linkage. However, the management plans to tie up the open capacity through long-term PPAs for up to 95% of the total capacity. The favourable outlook on electricity demand growth in India and a revival in long-term PPAs for thermal power projects augur well for the company. Therefore, the ability of the company to tie up long-term PPAs at a remunerative tariff for the open capacity as well as for the capacity expiring in FY2029 remains a key rating sensitivity, going forward.

The ratings are also constrained by the entity's exposure to the discoms of Tamil Nadu, Rajasthan and Assam which have moderate to weak credit profiles. This risk is mitigated to an extent by the satisfactory collections since the implementation of the late payment surcharges (LPS) rules in 2022. Further, the sale of power to the Rajasthan discom is through PTC as an intermediary and the payments are received from PTC on behalf of the Rajasthan discom, which in turn has power sale agreement (PSA) with the discom on a back-to-back basis. ICRA further notes that any investment in brownfield/greenfield capacity expansion by the company that can materially alter its financial and liquidity profile would remain a key monitorable for the rating.

The Stable outlook on the long-term rating reflects ICRA's opinion that DBPL will benefit from the presence of diversified offtakers, long-term PPAs that provide high cash flow visibility, the long-term supply arrangement for coal sourcing and the healthy operating efficiencies, which are expected to generate a stable and predictable earnings stream, going forward.

Key rating drivers and their description

Credit strengths

Revenue visibility from PPAs with two-part tariff structure for majority of the project capacity – DBPL has secured long-term PPAs across multiple states, ensuring stable revenue visibility covering over 80% of the project capacity. These PPAs follow a two-part tariff structure that ensures the recovery of capacity charges based on availability and energy charges based on the energy supplied. Specifically, the PPAs with PTC and TNPDCL include both non-escalable and escalable capacity and energy charges, while the agreements with GUVNL and APDCL have fixed capacity charges with the energy charges being fully pass-through.

Favourable merit order position, driven by long-term coal linkage and proximity to coal sources – DBPL benefits from its strategic proximity to coal mines and the presence of its own railway siding. This locational advantage ensures timely coal availability and optimal transportation costs and minimises transit losses. As a result, the company maintains a competitive cost of generation, thereby enabling a favourable merit order position and profitable sale in the merchant market. At present, the FSAs cover around 76% of DBPL's capacity, mitigating fuel supply risks. This coverage is expected to increase to over 80% once the FSA for the APDCL PPA is signed. Additionally, improved domestic coal availability has lowered the procurement cost through the e-auction route.

Satisfactory operational track record of thermal asset – The company's operating performance has remained stable with an average PLF of 84.8% for FY2025 and 85.4% for FY2024. The plant availability has also remained well above the normative levels with a PAF of 90.7% for FY2025 and 96.2% in FY2024. Further, the company's performance on the station heat rate and auxiliary consumption remains superior to the normative parameters. All these factors enable the company to achieve a highly competitive cost of generation.

Strong financial risk profile, characterised by comfortable debt coverage metrics and robust liquidity – The company's debt coverage metrics remain strong with the annual debt service coverage ratio (DSCR) remaining above 2.0x over the past four years, supported by the healthy profitability and declining debt level with scheduled amortisation. This trend is likely to sustain, given the healthy operating efficiency, availability of long-term PPAs and FSAs for majority of the capacity and a favourable outlook on electricity demand growth. Additionally, DBPL's robust liquidity — comprising healthy cash balances and unutilised bank limits — strengthens its financial risk profile.

Credit challenges

Counterparty credit risk associated with exposure to state discoms – The company remains exposed to the discoms of Tamil Nadu, Rajasthan and Assam which have modest credit profiles. This risk is mitigated to a large extent by the satisfactory collections since the implementation of the LPS rules in 2022. Further, the sale of power to the Rajasthan discom is through PTC as an intermediary and the payments are received from PTC on behalf of the Rajasthan discom which in turn has a PSA with the discom on a back-to-back basis. Herein, comfort is also drawn from the presence of a strong counterparty like GUVNL for ~25% of the project capacity.

Susceptibility to demand and tariff risks, post expiry of TNPDCL PPA in FY2029 and for the open capacity – The company remains exposed to demand and tariff risks associated with the TNPDCL PPA, which accounts for 18% of its capacity and is set to expire in FY2029. Also, the company remains exposed to demand, tariff and fuel pricing risks for the capacity that does not have long-term PPAs. In FY2025, the company sold approximately 33% of its net power generation in the open market, exposing it to demand and tariff risks associated with open market. However, this exposure is expected to come down significantly with the signing of the PPA with APDCL and full year power sale under GUVNL PPA from FY2026 onwards (supply under GUVNL PPA was operational for part of the year during FY2025). Going forward, the ability of the company to tie up PPAs at a remunerative tariff for the capacity for which the PPA will expire and for the open capacity remains important to sustain a healthy profitability level. Herein, ICRA notes the improved visibility on new long-term and medium-term PPAs for coal-based power projects amid a healthy demand growth.

Exposure to interest rate risk – The company's debt coverage metrics remain exposed to variations in interest rates due to the floating nature of its borrowings. Any significant increase in interest rates could adversely impact its debt coverage metrics.

Liquidity position: Strong

The liquidity profile of DBPL is expected to remain strong, supported by healthy cash flow from operations, available cash balances and undrawn working capital lines. The company is expected to generate cash flow from operations of ~Rs. 700 crore against a debt repayment of ~Rs. 455 crore in FY2026. DBPL's cash balances stood at around Rs. 1,000 crore as on March 31, 2025. Further, the company has unutilised fund-based working capital limits of more than Rs. 700 crore as on March 31, 2025.

Rating sensitivities

Positive factors – ICRA may upgrade the long-term rating if the company continues to demonstrate a healthy operating performance with timely collections from the counterparties on a sustained basis, and/or a significant reduction in leverage, leading to a strong cash flow and thereby improving the debt coverage metrics and return indicators.

Negative factors – Any deterioration in the operating performance of the project, or inability to tie up PPAs at remunerative tariffs, or a drop in the long-term PPA tie-up capacity below 85% would adversely impact the company's profitability and debt coverage metrics and result in a downgrade. Further, significant delays in receiving payments from the offtakers adversely impacting the liquidity position of the company could also lead to a rating downgrade. Also, large debt funded capex or investment adversely impacting the debt coverage metrics of the company can trigger a downward rating revision.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Power - Thermal Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

DB Power Limited (DBPL), incorporated on October 12, 2006, is a part of the Dainik Bhaskar Group. At present, it operates a coal-based thermal power generation plant with a capacity of 1,200 MW (two units of 600 MW each) at Baradarha in the Janjgir Champa district of Chhattisgarh, India. The units commenced commercial operations in August 2015 and March 2016, respectively.

The company has PPAs with the state discoms of Chhattisgarh, Rajasthan, Gujarat, Assam and Tamil Nadu. The project also sells power through merchant/bilateral short-term/medium-term contracts for a part of the capacity. In FY2025, Diligent Power Private Limited (DPPL), which held 100% equity in DBPL, was merged with DBPL through a scheme of amalgamation. Under this scheme, all the assets and liabilities of DPPL were transferred to DBPL. As a part of this merger, the private equity investors (Warburg and TRG) were provided an exit by the company.

Key financial indicators (audited)

	FY2023	FY2024	FY2025*
Operating income	3,390.1	3,988.2	3,803.1
PAT	563.6	785.9	967.2
OPBDIT/OI	39.5%	42.4%	48.7%
PAT/OI	16.6%	19.7%	25.4%
Total outside liabilities/Tangible net worth (times)	1.6	1.2	1.6
Total debt/OPBDIT (times)	3.6	2.5	2.1
Interest coverage (times)	2.8	4.0	5.1

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	July 09, 2025	Date	Rating	Date	Rating	Date	Rating
Long term fund-based facilities – Long-term loan	Long term	3,782.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-
Long term - Unallocated limits	Long term	43.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-
Long term fund-based facilities - Working capital limits	Long term	775.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-
Short term non-fund based facilities - LC/BG	Short term	600.00	[ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund-based facilities - Working capital limits	Simple
Long term - Unallocated limits	NA
Short term non-fund based facilities - LC/BG	Very Simple
Long term fund-based facilities - Long-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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Term loan**	August 2024	NA	July 2033	3,782.00	[ICRA]AA+ (Stable)
NA	**Working capital limits**	NA	NA	NA	775.00	[ICRA]AA+ (Stable)
NA	**Non-fund based facilities - LC/BG**	NA	NA	NA	600.0	[ICRA]A1+
NA	**Unallocated limits**	NA	NA	NA	43.00	[ICRA]AA+ (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 – Not applicable

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ABOUT ICRA LIMITED

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