

March 10, 2025

Sasan Power Limited: Long-term rating upgraded to [ICRA]BB (Stable) and short-term rating reaffirmed; ratings removed from watch with developing implications; Stable outlook assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Term loan	10,222.00	7,892.00	[ICRA]BB (Stable); rating upgraded from [ICRA]BB- and removed from rating watch with developing implications; Stable outlook assigned
Long term – Fund-based - Cash credit	567.00	567.00	[ICRA]BB (Stable); rating upgraded from [ICRA]BB- and removed from rating watch with developing implications; Stable outlook assigned
Long Term/Short term – Non-fund based limit	376.00	376.00	[ICRA]BB (Stable)/[ICRA]A4; Long term rating upgraded from [ICRA]BB- and short-term rating reaffirmed; ratings removed from watch with developing implications; Stable outlook assigned for the long-term rating
Total	11,165.00	8,835.00	

*Instrument details are provided in Annexure I

Rationale

ICRA had earlier placed the ratings of Sasan Power Limited (SPL) on watch with developing implications due to refinancing risk associated with the \$150-million bullet repayment due on the IIFCL (UK) loan on December 31, 2024. Rosa Power Supply Company Limited (RPSCCL; subsidiary of Reliance Power Limited) raised debt to extend funding support to Reliance Power Limited (RPL) for general corporate purposes, including for the payment of the IIFCL (UK) loan of SPL. The debt raised by RPSCCL was infused into SPL in the form of intercorporate deposits (~Rs. 1,250 crore) by RPL to repay the bullet payment. SPL timely repaid the entire \$150-million bullet payment due on December 31, 2024. Given these developments, ICRA has removed the ratings from watch with developing implications and upgraded the long-term rating, while also assigning a Stable outlook to the same. The short-term rating has been reaffirmed.

The rating action continues to take comfort from the availability of long-term power purchase agreements (PPA) at a cost-competitive tariff for the entire capacity with the state distribution utilities (discoms). The ratings also consider the company's superior merit order position in the power procurement mix of the offtaker utilities, which is also supported by the cost advantage from the access to captive coal mines. Further, the operating performance of its thermal power capacity continues to be healthy with the plant availability and plant load factor (PLF) remaining well above the normative levels. The PLF improved to above 90% in FY2024 and 9M FY2025 compared to 85.80% in FY2023 after the replacement of the generation transformer in May 2023.

The ratings are, however, constrained by the stretched liquidity position of the company with tightly aligned cash inflows and debt servicing obligation over the next one year. Nonetheless, the debt coverage is expected to improve from FY2027 when a major portion of the foreign currency borrowings would be repaid. ICRA also notes the absence of a debt service reserve (DSRA) cover required as per the terms of the loan documents and the limited cushion available in the form of undrawn fund-based working capital limits. SPL has, however, accumulated ~Rs. 142 crore in the DSRA account as on January 31, 2025, which

can be utilised for debt servicing. The debt service coverage ratio (DSCR) is expected to remain low in the near term, given the competitively bid-based tariff structure in the PPA and the sizeable debt repayments. The company's ability to sustain a high PLF level of over 90% and superior operating efficiencies and maintain the actual fuel and operating costs within the bid tariff level will remain critical from a credit perspective.

Further, SPL remains exposed to counterparty credit risks arising from the exposure to state discoms with modest financial profiles. However, this risk is offset by the competitive tariffs and the option available for third-party sale of power in case of default by the procurers (as allowed under the PPA).

The ratings consider the uncertainty over the timelines of the approval and the subsequent implementation of the tariff compensation, both under change-in-law during construction and forex variations. The ratings are further constrained by exchange rate risks because of foreign currency debt. Also, the company's debt metrics remain exposed to the adverse movements in interest rates, given the high leverage level and largely fixed tariffs.

ICRA also takes note of the sizeable build-up of statutory liabilities (~Rs. 1326 crore) towards the state government of Madhya Pradesh (MP). The company plans to repay a significant portion of these statutory liabilities shortly through additional debt being raised by RPSCL to support SPL. The company also has a large capex requirement to instal the flue gas desulphurisation (FGD) system to comply with the environmental norms. However, the Government of India has extended the timeline for FGD installation to December 2029 from December 2026 earlier.

Key rating drivers and their description

Credit strengths

Healthy operating performance of plant so far; sustenance remains critical – The company's plant availability factor (PAF) and PLF levels have remained healthy and above the normative levels since the commencement of all the units in March 2015. The PLF for 9M FY2025 stood at 91.73% and for FY2024 at 93.52% (against 85.80% in FY2023). The PLF was lower in FY2023 owing to the outage of one unit due to transformer failure, which resumed operations in May 2023. Given the tightly matched cash flows of the company with its debt servicing obligations, the ability to maintain a high PLF level of over 90% and other efficiency indicators (such as specific heat rate and auxiliary consumption) within the budgeted levels in a sustained manner will be critical from a credit perspective. Additionally, the ability to keep mining and other operating cost overheads within the budget remains important.

Long-term PPAs with cost-competitive tariff with all procurers - SPL has long-term (25-year) PPAs for its entire installed capacity with 14 power distribution companies across seven different states for a period of 25 years from the COD of the last unit, which limits the offtake risk. The average tariff realised by SPL is highly cost competitive at Rs. 1.46-1.54 per unit for the offtakers, which in turn ensures a superior merit order position for the company. The tariff is competitively bid-based and is also supported by the company's access to captive mine sources as well as the non-applicability of clean energy cess.

Adequate coal availability from captive mines - The company's operations have been supported by adequate coal availability from the captive mine blocks of Moher and Moher Amlohri Extension allocated to it, which together have reserves of 575 million metric tonnes (MMT). The mining performance of both these captive coal blocks has remained healthy. The company has environmental clearance for 20 million metric tonnes per annum (MMTPA) of coal produced from these two captive blocks. The coal production and supply has been satisfactory, ensuring adequate fuel security for the plant.

Credit challenges

Modest debt metrics and stretched liquidity position- The company's liquidity position remains stretched in the absence of an adequate DSRA cover, modest cash balances and limited cushion available in the form of undrawn fund-based working capital limits. The buffer between the debt servicing obligations and the cash accruals remains limited in the next one year. Hence, given the tight liquidity, the timely collection of monthly bills is critical for the company's liquidity. Nonetheless, the collection efficiency has remained high (~95-100%) over the last five fiscals, which provides some comfort.

Uncertainty over tariff compensation requests under change-in-law - The company has received a favourable order from the CERC for the additional cost arising because of the change-in-law during the operations period. The petitions for the impact of change-in-law during the construction period are pending before APTEL and the Supreme Court. For the petition related to the pass-through of cost variation arising from forex movements, APTEL has accepted the appeal filed by SPL against the CERC's initial order disallowing the petition and has remanded the matter to the CERC for consideration. However, the risk of further appeal against this order by the customers cannot be ruled out.

Counterparty credit risk - SPL remains exposed to counterparty credit risks, given the modest credit profile of some of the offtakers. The risk is partially mitigated by the payment security mechanism in the PPAs, the competitive tariffs and the option available for third-party sale of power in case of defaults by the procurers (as allowed under the PPAs), particularly in view of the rising demand for electricity and high tariffs in the short-term market. SPL's merit order remains favourable as it is one of the lowest cost producers of power. This not only ensures a healthy offtake but also offers payment preference over other relatively high-cost producers of power.

Exposure to interest rate and foreign exchange rate risks - The operations of the company remain exposed to foreign exchange rate risks due to the large foreign currency debt, constituting 14% of the overall debt as on December 31, 2024. Further, the company also remains exposed to the adverse movement in interest rates which can impact the debt coverage metrics.

Sizeable unpaid statutory dues liabilities - There has been a sizeable build-up of statutory dues that have remained unpaid. Statutory dues include royalty on coal, electricity duty, energy development cess, forest transit, contributions to the District Mineral Foundation (DMF), provident fund etc. As on date, this amount is ~Rs. 1,326 crore. These unpaid dues pertain to Madhya Pradesh and have accumulated over FY2019 to FY2024. The company plans to repay a significant portion of these statutory liabilities shortly through the additional debt being raised by RPSCL to support SPL. This remain a key monitorable.

Liquidity position: Stretched

SPL's liquidity position remains stretched, with the cash available for debt servicing being tightly matched with the debt repayment obligations in FY2026. Further, the company is yet to create the required DSRA balance, as per the loan agreements. As on January 31, 2025, the company had a total liquidity of Rs. 338 crore, comprising free cash & liquid investments of Rs. 42 crore, restricted cash (including DSRA) of Rs. 281 crore and undrawn fund-based working capital limits (cash credit) of Rs. 16 crores. Given the sizeable debt repayment obligations over the near term, the company's ability to maintain a healthy PLF performance and receive timely payments from the discoms remains critical from a liquidity perspective.

Rating sensitivities

Positive factors – The ratings could be revised if the company is able to maintain a strong operating performance and improve its liquidity position and debt coverage metrics along with the creation of the stipulated DSRA cover. Further, favourable regulatory orders on the pending tariff compensation, and its subsequent implementation, resulting in improved cash flow, would be a positive trigger. A specific credit metric for upgrade would be an annual DSCR of above 1.15 times on a sustained basis.

Negative factors – - Any deterioration in the operating parameters like plant availability, PLF and heat rate impacting the revenues and cash flows would be a negative trigger. Additionally, any adverse changes in the cost structure and any increase in the company's debt levels could result in a downgrade. Also, any delays in payments by customers adversely impacting the company's liquidity position would be a negative trigger.

Analytical approach

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

About the company

SPL is a wholly-owned subsidiary of Reliance Power Limited and operates a captive coal-based project with a capacity of 3,960 MW at Sasan, Madhya Pradesh. The project has been implemented in six units of 660 MW each based on the super-critical technology. SPL signed PPAs in August 2007 with 14 state utilities in seven states, namely Madhya Pradesh (lead procurer), Uttar Pradesh, the National Capital Territory of Delhi, Punjab, Haryana, Rajasthan, and Uttaranchal. The project achieved COD in March 2015.

The project was allotted three captive coal mine blocks, viz. Moher, Moher Amlohri Extension and Chhatrasal, with estimated coal reserves of about 700 million metric tonnes. The Chhatrasal coal mine has been deallocated by the Ministry of Coal, Govt of India, vide a gazette notification dated May 7, 2015. The company has filed a petition against the de-allocation in Delhi High Court, where the matter is at present sub-judice. The captive blocks of Moher and Moher Amlohri Extension, which together hold reserves of 575 MMT, are fully operational, with a production capacity of 20 MTPA.

Key financial indicators (audited)

	FY2023	FY2024	9MFY2025*
Operating income	4270.4	4591.7	3405.3
PAT	15.4	-178.3	-83.6
OPBDIT/OI	40.3%	41.5%	39.3%
PAT/OI	0.4%	-3.9%	-2.5%
Total outside liabilities/Tangible net worth (times)	1.8	1.8	1.2
Total debt/OPBDIT (times)	6.7	5.6	5.5
Interest coverage (times)	1.3	1.3	1.2

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 10, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term - Term loan - Fund based	Long term	7892.00	[ICRA]BB (Stable)	27-DEC-2024	[ICRA]BB- Rating Watch with Developing Implications	27-FEB-2024	[ICRA]BB- (Negative)	27-JAN-2023	[ICRA]BB+ (Negative)	29-OCT-2021	[ICRA]BB+ (Negative)
Long term - Cash credit - Fund based	Long term	567.00	[ICRA]BB (Stable)	27-DEC-2024	[ICRA]BB- Rating Watch with Developing Implications	27-FEB-2024	[ICRA]BB- (Negative)	27-JAN-2023	[ICRA]BB+ (Negative)	29-OCT-2021	[ICRA]BB+ (Negative)
Long term/Short term – Others – Non-fund based	Long term/Short term	376.00	[ICRA]BB (Stable)/[ICRA]A4	27-DEC-2024	[ICRA]BB-/[ICRA]A4 Rating Watch with Developing Implications	27-FEB-2024	[ICRA]BB- (Negative)/[ICRA]A4	27-JAN-2023	[ICRA]BB+ (Negative)/[ICRA]A4	29-OCT-2021	[ICRA]BB+ (Negative)/[ICRA]A4

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Term loan	Simple
Long term – Fund-based - Cash credit	Simple
Long term/Short term – Non-fund based limit	Very 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	Long-term fund-based – Term loan*	FY2010	NA	FY2036	7892.00	[ICRA]BB (Stable)
NA	Long term – Fund based - Cash credit	NA	NA	NA	567.00	[ICRA]BB (Stable)
NA	Long term/Short term – Non-fund based limit	NA	NA	NA	376.00	[ICRA]BB (Stable)/ [ICRA]A4

Source: Company, *inclusive of foreign currency borrowings

[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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