April 07, 2025

Aravali Power Company Private Limited: Long-term rating upgraded to [ICRA]AA+ (Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based - Term loans	2,381.28	2,381.28	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable)
Long term – Fund-based - Cash credit	800.00	800.00	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable)
Long term - Unallocated	1,781.10	1,781.10	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable)
Short term – Non-fund based - LC/BG	125.00	125.00	[ICRA]A1+; reaffirmed
Total	**5,087.38**	**5,087.38**	

**Instrument details are provided in Annexure I*

Rationale

The rating upgrade factors in a sustained strong financial performance of Aravali Power Company Private Limited (APCPL), supported by healthy operating efficiencies and a reduction in debt with scheduled ammortisation. The 1,500-MW coal-based power plant of APCPL maintained plant availability above 90% in FY2024 and 9M FY2025, enabling full recovery of the capacity charges. This, along with the ongoing repayment of debt, reduced the company's leverage ratio (total debt / OPBDITA) from 2.2x in FY2023 to 1.6x in FY2024, which is expected to further reduce to 1.2x in FY2025. Moreover, the debt coverage metrics remains strong, with the annual debt service coverage ratio (DSCR) expected to remain well above 1.5x.

The ratings further factor in APCPL's strong liquidity position on the back of timely payments from its key offtakers - Haryana distribution utilities (discoms) and Tata Power Delhi Distribution Limited (TPDDL) - which account for 87% of APCPL's capacity. The company's working capital cycle continues to be comfortable, demonstrated from the receivable days (including unbilled revenue), which stood at 48 days as on December 31, 2024, down from the historical highs of 228 days as on March 31, 2021. Despite the sizeable dividend payouts of Rs. 750 crore in FY2024 and FY2025, the company's liquidity position continues to be strong amid healthy cash flow from operations of ~Rs. 1,252 crore in FY2024 and ~Rs. 1,380 crore expected in FY2025.

The ratings continue to take into account the presence of long-term power purchase agreements (PPAs) with cost-plus tariff for the entire 1,500-MW capacity, adequate fuel supply agreements and the strong collection efficiency demonstrated over the past four fiscals. The company has been able to earn higher-than normative return on equity on the approved capital cost in the recent fiscals on account of savings in operations and maintenance (O&M) costs and working capital interest against the normative values approved by the regulator. Additionally, APCPL benefits from the in-house technical and managerial expertise provided by NTPC Limited (holds a 50% stake in APCPL), which reduces the operational and maintenance risks for the project. The company is undertaking capex to install flue gas desulphurisation (FGD) units. The company has already commissioned two of the three units in FY2025 and is nearing the commissioning of the third unit. ICRA expects APCPL to commission its third unit of FGD by Q1 FY2026, within the envisaged capital outlay, adding to the rating comfort. The tariff approval for the FGD capex is pending with the regulator.

Rating concerns emanate from APCPL's high cost of power due to the high landed cost of coal, which adversely impacts its tariff competitiveness. The energy charges stood at Rs. 4.2 per unit for in 9M FY2025, excluding the compensation for partial loading. Although APCPL's plant forms part of the lower quartiles of the merit order despatch (MoD) for the Delhi and Haryana discoms, the two-part tariff structure allows the company to bill the entire fixed charge, which is linked to the plant availability and not the plant load factor (PLF). The ratings also take note of the counterparty credit risk pertaining to its offtakers - Haryana's discoms (46%.2 capacity), Delhi's discoms of TPDDL, BSES Rajdhani Power Limited (BRPL) & BSES Yamuna Power Limited (46.2% capacity) and the discoms allocated by the Ministry of Power (MoP) for 7.6% capacity. Within these discoms, while the credit profile of the TPDDL remains strong, the credit profile of the other offtakers remains moderate.

The Stable outlook reflects ICRA's expectation that the company will continue to report satisfactory plant availability and efficiency levels, allowing it to recover the fixed capacity charges as per the tariff order, and receive the payments in a timely manner from its key offtakers (Haryana discoms and TPDDL).

Key rating drivers and their description

Credit strengths

Presence of long-term PPAs (cost-plus return tariff) for entire capacity; managerial expertise provided by NTPC - The PPAs for the entire quantum of power generated by APCPL are in place under the cost-plus tariff regulations, which limit the offtake and tariff risks for the company. The power is mainly sold to the Haryana and Delhi discoms (46.2% each to both state discoms), and the balance 7.6% is allocated as per the directions of the MoP from time to time. APCPL also benefits from the in-house technical and managerial expertise provided by NTPC Limited, which reduces the operational and maintenance risks for the project. The presence of NTPC also helps the company recover dues from the discoms.

Strong debt coverage metrics, supported by healthy operating efficiencies, cost-plus tariff and declining leverage - The tariff payable by the beneficiaries is based on the Central Electricity Regulatory Commission's (CERC) regulations, which allow for the full recovery of the variable and fixed costs with 15.5% return on equity (subject to achieving normative operating parameters) and any incentives (for better-than-normative performance). The tariff structure - being two part in nature – allows billing of the entire fixed charge to the beneficiaries, subject to the company ensuring higher-than-normative plant availability (PAF of 85%). Comfort is drawn from no major disallowances in the tariff approved for the control period FY2015-FY2019 and FY2020-FY2024, thereby supporting healthy cash flow generation by APCPL. The company has filed petition for tariff approval for the control period FY2025-FY2029 recently. The steady cash flow, along with the healthy operating efficiencies and declining leverage, enables the company to maintain strong debt coverage metrics, with the annual DSCR remaining well above 1.5x.

Healthy collection efficiency and strong liquidity position - APCPL's collection efficiency has remained healthy over the years with timely payment of dues by two of its major beneficiaries i.e. Haryana discoms and TPDDL (rated [ICRA]AA+ (Stable)/[ICRA]A1+), which has aided its liquidity position. All past material dues have been cleared and the current dues are also being paid in a timely manner by all the discoms, which is expected to result in a continuation of a strong liquidity position for the company, despite the large dividend outflow.

Credit challenges

Counterparty credit risk from exposure to discoms in Haryana and Delhi - APCPL is exposed to counterparty credit risks pertaining to the Haryana discoms (46.2% capacity), Delhi discoms (46.2% capacity) and the discoms allocated for 7.6% capacity through the central pool allocation by the MoP. After the implementation of the Late Payment Surcharge (LPS) rules, June 2022, the payments from the offtakers have been timely. However, the company will remain exposed to counterparty credit risk emanating from the moderate credit profiles of the Haryana discoms and two of the discoms in Delhi.

High cost of power affecting tariff competitiveness for offtakers - The landed cost of coal is relatively high for ACPCL due to the inland location of the plant, resulting in high variable cost of power and affecting the tariff competitiveness of the project.

The relatively low position of the company's project in the merit order position of the discoms has impacted the PLF levels of the plant. Nonetheless, the PLF level has improved in recent years, driven by the growing demand. Also, the low PLF level does not impact the recovery of the fixed charges, subject to maintaining a normative plant availability of 85%, thereby supporting the profitability of the company.

Liquidity position: Strong

APCPL's liquidity is expected to remain strong, backed by the cost-plus nature of operations, healthy collections from the offtakers and the available cash balances. As on December 31, 2024, the company had a healthy free cash balance of Rs. 612 crore. The company is expected to generate adequate cash flows for debt servicing (interest and principal repayments of ~Rs. 654 crore in FY2026) and still have surplus cash from operations. While the company does not have any major capex plans, going forward, ICRA expects the incremental liquidity released to be paid in the form of dividends, while maintaining adequate buffer to meet the operating and debt servicing requirements.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company continues to demonstrate a healthy operating performance with timely collections from the counterparties on a sustained basis, leading to strong cash flows and reduced leverage, thereby improving the debt coverage metrics and return indicators.

Negative factors – Any deterioration in the operating parameters, impacting the company's ability to bill for the full capacity charges, and/or under-recovery on energy charges materially impacting the cash generation may result in a downgrade. Significant delays in payments from the counterparties affecting the liquidity will also weigh on the ratings. Further, disallowances in capital or operating costs by the regulator adversely impacting the company's debt coverage metrics with the cumulative DSCR falling below 1.45 times on a sustained basis may warrant a downgrade.

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

APCPL is a joint venture company of NTPC Ltd (50%), Haryana Power Generation Company Ltd (HPGCL; 25%) and Indraprastha Power Generation Company Ltd (IPGCL; 25%). It has constructed a 1,500-MW coal-based power plant near Jharli village in Jhajjar district (Haryana), named Indira Gandhi Super Thermal Power Project (IGSTPP). All the three units of the project have been commissioned with the last unit achieving COD on April 26, 2013. The cost of the project was Rs. 10,131 crore, funded in a D:E ratio of 70:30. At present, the company is having an FSA with NCL – 1.50 MMT, ECL – 0.58 MMT and CCL – 3.54 MMT.

With a majority ownership of NTPC (50%), APCPL has been designated a central generating station, whereby the MOP can regulate its power, as per the notification issued in April 2000 for the allocation of power from the central generating stations. As per the initial allocation, the MOP allocated 46.2% capacity each to the Haryana and Delhi discoms and retained 7.6% of the total capacity as unallocated quota, which can be allocated to the other beneficiary states.

Key financial indicators (audited)

APCPL	FY2023	FY2024
Operating income	5329.3	5386.9
PAT	496.5	747.4
OPBDIT/OI	21.7%	26.1%
PAT/OI	9.3%	13.9%
Total outside liabilities/Tangible net worth (times)	0.7	0.7
Total debt/OPBDIT (times)	2.2	1.6
Interest coverage (times)	7.0	8.3

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Apr 07, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long-Term	2,381.28	[ICRA]AA+ (Stable)	-	-	Mar 19, 2024	[ICRA]AA (Stable)	Jan 06, 2023	[ICRA]AA (Stable)
Working capital facilities	Long-Term	800.00	[ICRA]AA+ (Stable)	-	-	Mar 19, 2024	[ICRA]AA (Stable)	Jan 06, 2023	[ICRA]AA (Stable)
Unallocated	Long-Term	1,781.10	[ICRA]AA+ (Stable)	-	-	Mar 19, 2024	[ICRA]AA (Stable)	-	-
Non-fund based limit	Short-Term	125.00	[ICRA]A1+	-	-	Mar 19, 2024	[ICRA]A1+	Jan 06, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based - Term loans	Simple
Long term – Fund-based - Cash credit	Simple
Long term-Unallocated	NA
Short term - Non-fund based - LC/BG	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	**Term loans**	FY2021	-	FY2028	807.69	[ICRA]AA+ (Stable)
NA	**Term loans**	FY2021	-	FY2028	803.59	[ICRA]AA+ (Stable)
NA	**Term loans**	FY2021	-	FY2036	770.00	[ICRA]AA+ (Stable)
NA	**Fund-based, working capital**	-	-	-	800.00	[ICRA]AA+ (Stable)
NA	**Unallocated**	-	-	-	1781.10	[ICRA]AA+ (Stable)
NA	**Non-fund based**	-	-	-	125.00	[ICRA]A1+

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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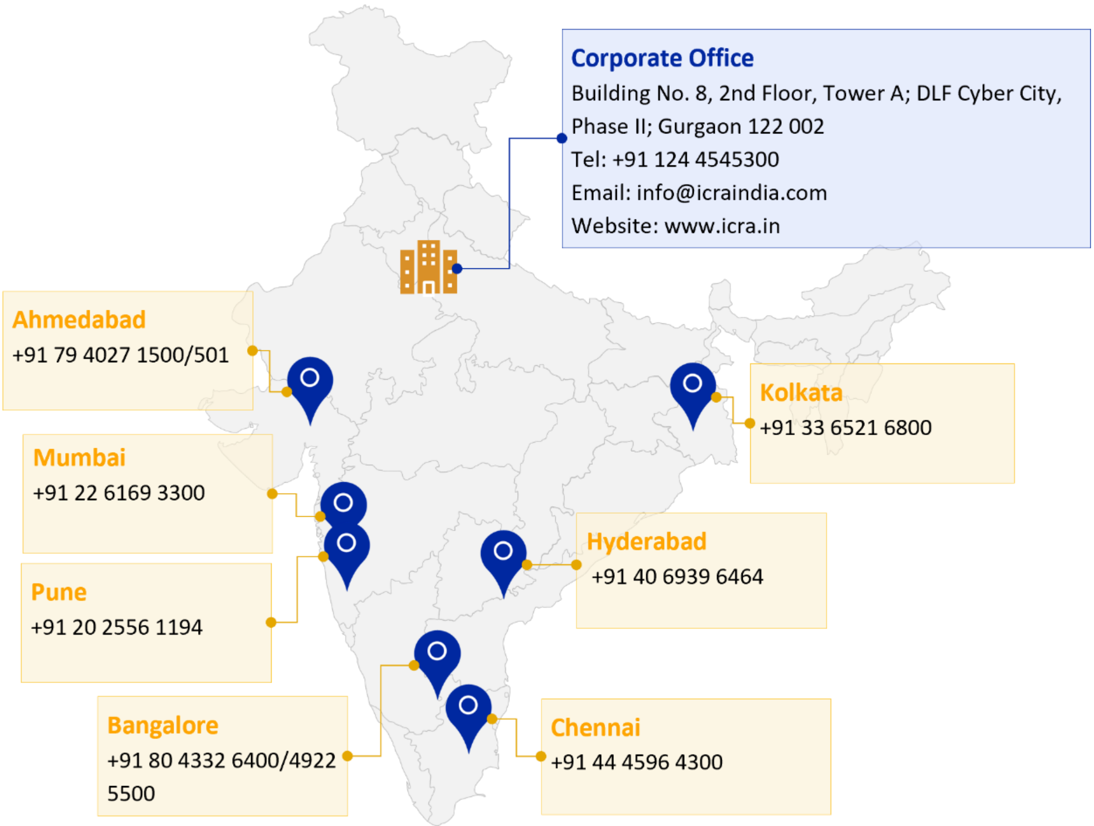

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