May 19, 2025

Dhariwal Infrastructure Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Term loan	2,314.35	2,258.00	[ICRA]A-(Stable); reaffirmed
Long-term – Working capital limits	250.00	306.35	[ICRA]A-(Stable); reaffirmed
Long term/Short term - Non-fund based limits	135.00	135.0	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Total	**2,699.35**	**2,699.35**	

**Instrument details are provided in Annexure I*

Rationale

The ratings continue to factor in the strong parentage of Dhariwal Infrastructure Limited (DIL) as a part of the RP-Sanjiv Goenka (RP-SG) Group, the satisfactory operating performance of its 600-MW thermal power project, and the availability of long-term power purchase agreements (PPAs) for Unit 2 (300 MW) and a medium-term PPA for a major share of Unit 1 (300 MW). ICRA notes that there is no offtake risks for Unit 2 of the plant, wherein 187 MW is tied up with Noida Power Corporation Limited (NPCL) under cost-plus tariff, and another 109 MW with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) under competitive bid-based tariff. The ratings also consider the low fuel-supply risk because of the long-term fuel supply agreement (FSA) for 525 MW of the 600-MW capacity. The operating performance of the project under DIL remains satisfactory, with plant availability remaining well above the normative requirement and the plant load factor (PLF) remaining at healthy levels. The company also benefited from the sharp increase in tariffs for the power sold in the short-term market since FY2023, led by the healthy electricity demand growth in the country. Given the company's exposure to the medium-term/ short-term power market, the sustainability of healthy power demand conditions remains a key monitorable for DIL.

The company has earlier received funding support from its fellow subsidiary, Haldia Energy Limited (HEL; rated [ICRA]A1+), and its parent, CESC Ltd. (CESC; rated [ICRA]A1+). However, it has remained self-sufficient over the last few years and did not require any support from the Group. While ICRA does not envisage the requirement of any incremental funding support from the parent/Group companies over the medium term, any such support, if required, is expected to be available from the parent/Group companies, as demonstrated in the past. That said, with DIL's free cash flows improving in recent years, the company has steadily reduced its Group advances by Rs.620 crore since FY2021. Additionally, given the improvement in earnings predictability, ICRA understands that DIL aims to support the Group's future investment needs, especially in the strategically important renewable power business. In this regard, ICRA notes that DIL availed fresh long-term borrowing of Rs.600 crore towards the end of last fiscal. As this fund is yet to be mobilised, it led to a large build-up of cash & liquid investments of around Rs.690 crore as on March 31, 2025. ICRA opines that even with the aforementioned borrowing programme, DIL's credit metrics is expected to remain in line with its rating category. However, any further large leveraging plans, which weighs down on DIL's coverage and leverage metrics, remains a rating monitorable.

The ratings remain constrained by the unavailability of long-term PPA for Unit 1 of DIL's power plant, though the tie-up of new medium term PPA's (25 MW with NPCL, 125 MW with Adani Electricity Mumbai Limited and 75 MW with The Tata Power Company Limited) offers enhanced revenue visibility over the near term and mitigates the offtake risk to a large extent. Nevertheless, DIL's ability to tie up PPA for the balance capacity at attractive tariffs in the future will remain a key credit monitorable. The capacity without long-term or medium-term PPAs accumulating to 75 MW would remain exposed to volume and tariff risks in the short-term market, as well as fuel pricing risk.

The company also remains exposed to counterparty credit risk on account of its exposure to the state utility of Tamil Nadu. There have been significant delays in receiving payments from TANGEDCO in the past, while the payment pattern from NPCL and the other parties has been satisfactory. Nonetheless, the payment track-record from TANGEDCO has improved post June 2022, following the implementation of the late payment surcharge (LPS) rules as notified by the Ministry of Power. The ratings also reflect the company's exposure to regulatory risks, given the ongoing legal proceedings before the Supreme Court challenging the jurisdiction of Uttar Pradesh Electricity Regulatory Commission (UPERC) in approving the 187-MW PPA with NPCL. Any adverse regulatory outcome in the matter remains a key rating driver.

The Stable outlook on the long-term rating factors in the improved revenue visibility for the company following the tie-up of new medium term PPA's at healthy tariffs, the healthy operating performance and attractive tariffs in the short-term market, which is expected to keep its credit metrics at comfortable levels.

Key rating drivers and their description

Credit strengths

Strong parentage with DIL as part of RP-SG Group – DIL is a 100% subsidiary of CESC, which is the flagship company of the RP-SG Group. By virtue of its parentage and Group linkages, DIL has benefited in the past as the RP-SG Group extended financial support during FY2015-FY2021. While the company did not require any incremental support over the past few years, such need-based support from the parent/the RP-SG Group is expected to continue, in case of any cash flow mismatches.

Availability of long-term and medium-term PPAs limits the offtake risks – The availability of long-term PPAs for the capacity under Unit 2 limits the offtake risk. However, DIL faced significant offtake risk for the 300-MW capacity under its Unit 1 which did not have a long-term PPA and was relying on short-term arrangements for the sale of power till March 2022. The company had tied up a three-year PPA for 210 MW out of the 300 MW capacity of Unit 1 with the Indian Railways for supply of power from April 1, 2022 to March 31, 2025. Subsequently, the company has tied up new medium term PPA's (25 MW with NPCL, 125 MW with Adani Electricity Mumbai Limited and 75 MW with The Tata Power Company Limited) effective from April/May 2025, which offers enhanced revenue visibility over the near term and mitigates the offtake risk to a large extent. With this, the exposure to the short-term market has declined compared to the earlier years. There was no funding support required from CESC/Group companies since FY2022 due to the presence of adequate internal accruals and no incremental support is expected in the near to medium term for DIL.

Fuel-supply agreement with SECL mitigates fuel availability risks – DIL has an operational FSA with SECL since March 2016, which mitigates fuel availability risk and ensures competitive energy cost for the station. The FSA is for the supply of 2.73 million tonne per annum (MTPA) of coal; however, as DIL was not able to secure a long-term PPA for Unit 1, the active FSA was only to the extent of 1.43 MTPA (revised to 1.58 MTPA since October 2020), mapped to the 300-MW installed in Unit 2. Coal shortage, if any, was being met through e-auctions or imports. For the supply of power under the new medium term PPA's from Unit 1, DIL is eligible to draw coal from SECL under its FSA arrangement, which further mitigates the fuel supply risk.

Favourable regulatory orders from CERC and UPERC – DIL has received favourable regulatory orders from the CERC and UPERC under its long-term PPAs for compensation for change-in-law events along with reimbursement for the additional coal consumed due to lower materialisation of FSA coal. The company has billed the compensation approved by the regulators and most of it has already been received.

Sustained improvement in leverage and debt coverage metrics – With the gradual improvement in profitability, accruals and scheduled debt repayments, the overall external debt of the company has reduced. This reduction in debt coupled with improved profitability has resulted in improved debt coverage metrics, reflected in the total external debt/OPBITDA of 3.2 times in FY2024 against a total external debt /OPBITDA of 5.34 times in FY2022. ICRA notes that DIL availed fresh long-term borrowing of Rs.600 crore towards the end of FY2025, which has led to an increase in the total external debt and consequently the total external debt/OPBITDA. As this fund is yet to be mobilised, it led to a large build-up of cash & liquid investments of around Rs.690 crore as on March 31, 2025. ICRA opines that even with the aforementioned borrowing programme, DIL's credit metrics is expected to remain in line with its rating category. However, any further large leveraging plans, which weighs down on DIL's coverage and leverage metrics, remains a rating monitorable. The DSCR is expected to remain at around 1.3-1.4 times over FY2026-FY2028.

Credit challenges

Absence of long-term PPA for Unit 1 –While the offtake is secured for the 300-MW capacity in Unit 2 through long-term PPAs, and a medium-term PPA for 225 MW under Unit 1, the ability of the company to tie up PPA for the balance capacity and renew the medium term PPAs at attractive tariffs in the future will remain key credit monitorables. Further, DIL remains exposed to coal availability and pricing risk for the capacities not contracted under a long-term and medium-term PPA. Also, there are fuel cost pass-through risks for the capacities not contracted on a cost-plus basis. ICRA, however, notes that the escalation in fuel cost for long-term PPA with TANGEDCO is largely passed on to the consumers on the basis of the escalation factor notified by the CERC. Fuel cost escalation for the PPA with NPCL is entirely passed on by DIL in a timely manner given that the tariff is determined on a cost-plus basis. For the medium term PPA's signed recently, the escalation in tariff is linked to WPI.

Counterparty risk on account of exposure to state power distribution utility of Tamil Nadu – DIL remains exposed to counterparty credit risk on account of its exposure to the state power distribution utility of Tamil Nadu, which has a weak financial profile. However, following the implementation of LPS rules, the receivables have come down with regular payment of the ongoing bills post July 2022 and recovery of past dues through instalments. The sustainability of the improvement will remain a key monitorable. ICRA draws comfort from the timely payments from NPCL and the other parties.

Exposure to regulatory risk pertaining to ongoing case in Supreme Court – DIL is exposed to regulatory risk pertaining to the approval of the PPA with NPCL. This approval by UPERC has been challenged before APTEL, wherein the decision is in favour of the company. This has been challenged before the Supreme Court. Any adverse regulatory outcome in the matter remains a key rating driver.

Liquidity position: Adequate

The liquidity profile of the company is adequate with the cash flow from operations expected to be sufficient to meet the debt servicing obligations, driven by the availability of long-term and medium-term PPAs. Also, the company has free cash balance of around Rs. 690 crore as on March 31, 2025. Moreover, ICRA expects the promoter group to infuse additional funds, if required, as demonstrated in the past.

Rating sensitivities

Positive factors – ICRA could upgrade DIL's ratings if there is an improvement in the company's earnings and debt protection metrics on a sustained basis, supported by healthy operating performance and remunerative tariffs in relation to its cost of power generation.

Negative factors – The ratings could be downgraded if there is any adverse regulatory ruling, leading to uncertainty over the 187-MW PPA with NPCL, resulting in a material drop in DIL's earnings. Also, the inability to ensure adequate plant availability adversely impacting DIL's earnings, or material delays in payments from customers affecting the liquidity profile could trigger a downgrade. Moreover, any change in linkages with the CESC Group or weakening of the credit profile of CESC may trigger a rating revision.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Power - Thermal](#)
Parent/Group support	Parent/Group: Parent: CESC Limited; Group: RP-SG Group The ratings assigned to DIL factor in the high likelihood of its parent, CESC Limited [rated [ICRA]A1+], extending financial support to DIL out of the need to protect its reputation from the consequences of a Group entity's distress; there also exists a consistent track record of the RP-SG Group extending timely financial support to DIL in the past, whenever a need arose
Consolidation/Standalone	The ratings are based on the company's standalone financial profile

About the company

Dhariwal Infrastructure Limited (DIL) is a part of the Kolkata-based RP-SG Group. It is a wholly-owned subsidiary of CESC Limited (rated [ICRA]A1+), the flagship company of the RP-SG Group. The company has 2X300 MW thermal-based power generation units at Chandrapur, Maharashtra. The two units with a capacity of 300 MW each were commissioned on February 11, 2014 (Unit 1) and August 2, 2014 (Unit 2).

Key financial indicators (audited)

DIL	FY2023	FY2024
Operating income	1908.9	1921.7
PAT	243.5	283.5
OPBDIT/OI	28.3%	29.4%
PAT/OI	12.8%	14.8%
Total outside liabilities/Tangible net worth (times)	3.5	2.3
Total debt/OPBDIT (times)	5.6	4.5
Interest coverage (times)	2.6	3.0

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					
				FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs Crore)	May 19, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long Term	2258.00	[ICRA]A- (Stable)	-	-	31-JUL-2023	[ICRA]BBB+ (Positive)	22-JUL-2022	[ICRA]BBB+ (Positive)
				-	-	16-FEB-2024	[ICRA]A- (Stable)	-	-
Working capital limits	Long Term	306.35	[ICRA]A- (Stable)	-	-	31-JUL-2023	[ICRA]BBB+ (Positive)	22-JUL-2022	[ICRA]BBB+ (Positive)
				-	-	16-FEB-2024	[ICRA]A- (Stable)	-	-
Non-fund based limits		135.00	[ICRA]A- (Stable)/[ICRA]A2+	-	-	31-JUL-2023	[ICRA]BBB+ (Positive)/	22-JUL-2022	[ICRA]BBB+ (Positive)/

	Long Term/Short Term					[ICRA]A2		[ICRA]A2
			-	-	16-FEB-2024	[ICRA]A-(Stable)/ [ICRA]A2+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based – Term loan	Simple
Long term – Working capital limits	Simple
Long term/Short term - Non-fund based limits	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 Loan	NA	NA	September 2035	2258.00	[ICRA]A- (Stable)
NA	Working capital limits	NA	NA	NA	306.35	[ICRA]A- (Stable)
NA	Non-fund based limits	NA	NA	NA	135.0	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

Annexure II: List of entities considered for consolidated analysis- Not Applicable

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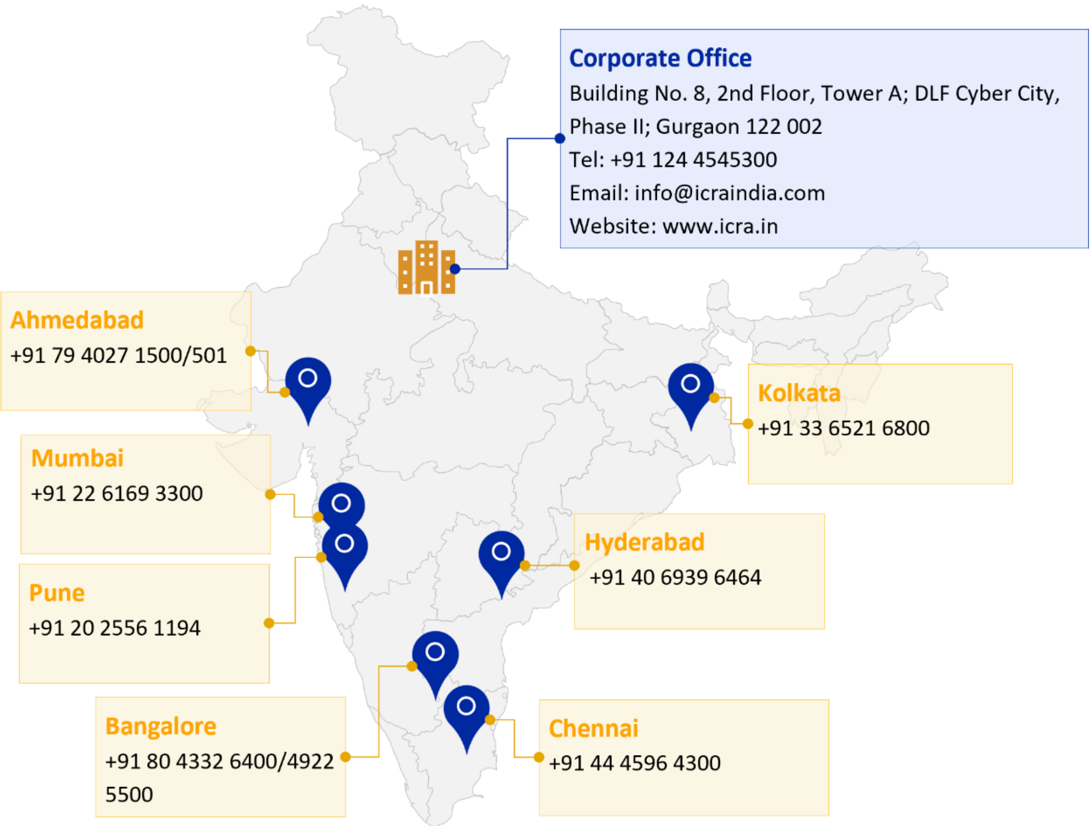

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