**May 28, 2025**

# KSK Mahanadi Power Company Limited: [ICRA]AA- (Stable)/ [ICRA]A1+ assigned

## Summary of rating action

| Instrument* | Current rated amount (Rs. crore) | Rating action |
|---|---|---|
| Long-term Fund-based – Term loan | 12,475.50 | [ICRA]AA- (Stable); assigned |
| Long Term-Fund Based-Working Capital | 1,100.00 | [ICRA]AA- (Stable); assigned |
| Long Term / Short Term-Non-Fund Based-Bank Guarantee | 550.50 | [ICRA]AA- (Stable)/ [ICRA]A1+; assigned |
| Total | **14,126.00** | |

**Instrument details are provided in Annexure I*

## Rationale

The assigned rating of KSK Mahanadi Power Company Limited (KMPCL) factors in the presence of a strong parent, JSW Energy Limited (JSWEL; rated [ICRA]AA (Stable)/[ICRA]A1+), which is expected to provide operating and financial support to the company. JSWEL completed the acquisition of 74% shareholding in KMPCL, through the corporate insolvency resolution process in March 2025, as per the approved resolution plan by the National Company Law Tribunal (NCLT). The balance 26% shareholding is held by the erstwhile financial creditors of KMPCL. The company was acquired by JSWEL at a total consideration of Rs. 16,084 crore, funded through a debt of Rs. 12,072.5 crore, equity of Rs. 0.05 crore and the balance through quasi-equity infusion.

JSWEL's credit profile is supported by its large scale of operations and diversified business profile, with presence across thermal power, hydro and renewable power generation, power transmission and power trading. The operating portfolio of the Group stood at 12.2 GW as of May 2025, with thermal having a 46.3% share. The company enjoys strong financial flexibility by being part of an experienced and resourceful promoter group. The Group has a demonstrated track record in developing and operating thermal power projects. Conversely, JSWEL's credit profile is constrained by the exposure to execution risks, given the large under-development portfolio and rising leverage level.

The assigned rating for KMPCL further factors in the revenue visibility for the 1,800-MW thermal power capacity (comprising three units of 600 MW each) of KMPCL, supported by the availability of long-term and medium-term power purchase agreements (PPA) for ~90% of the project capacity. The company has PPA tied up with Uttar Pradesh Power Corporation Limited (UPPCL) for 60% of the capacity, with expiry in June 2043 and with Tamil Nadu Power Distribution Corporation Limited (TNPDCL) for 30% of the capacity, which is expiring on November 2028. An additional 5% of the capacity is earmarked for Chhattisgarh, with the remaining 5% of the capacity to be sold in the merchant market. The rating also factors in the two-part tariff structure, comprising non-escalable and escalable capacity and energy charges under the PPAs with UPPCL and TNPDCL, with the capacity charges linked to plant availability.

The company has limited fuel availability risks as it has fuel supply agreements (FSAs) for 8.1 million tonnes per annum (MTPA) of coal with various subsidiaries of Coal India Limited (CIL), including the recent 1.43 MTPA additionally executed FSA. In the past year, KMPCL received close to 100% of the contracted quantity under the FSAs. This coal supply should be sufficient to operate the 1,800 MW plant at over 75% PLF.

The efficiency measures being undertaken by the new management for improving the PLF level and reducing operating costs are expected to improve the company's profitability in FY2026. The profitability is expected to moderate during FY2027-FY2029, owing to the reduction in tariff under the PPAs with UPPCL and TNPDCL, in line with the quoted tariff structure. However, the cash flows would remain comfortable for the debt servicing obligations. The profitability thereafter would remain linked with the tariff achieved for the 30% capacity, wherein PPA is expiring with TNPDCL. ICRA expects the project's cumulative debt service coverage ratio (DSCR) to remain over 1.3x over the debt tenure, supported by the debt availed at a cost-competitive rate after the takeover, long tenure of the debt and improved visibility on new PPAs for thermal assets. Also, the company's liquidity profile is expected to be aided by the healthy collection efficiency from the offtakers, availability of unutilised working capital limits and the expected support from JSWEL in case of cash flow mismatches. The company is expected to build up one quarter of debt service reserve (DSRA) over the next 12 months.

The rating is, however, constrained by the entity's exposure to the discoms of Uttar Pradesh and Tamil Nadu, which have modest credit profiles. This risk is mitigated to an extent with satisfactory collections since the implementation of the late payment surcharges (LPS) rules in 2022. ICRA also notes that 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. UPPCL has been paying the additional tariff under the change in law, however, TNPDCL has appealed against the order in Appellate Tribunal for Electricity (APTEL). Consequently, timely resolution of dispute and the subsequent implementation of the tariff compensation as per the change in law remains important.

The rating also considers the demand and tariff risks arising from the expiry of the PPA signed with TNPDCL (30% of capacity) in November 2028. The ability of the company to tie up PPA at a remunerative tariff remains a key rating sensitivity. Herein, ICRA notes the improved visibility on new long-term and medium-term PPAs for coal-based power projects amid the healthy demand growth and slowdown in new capacity addition in the thermal segment.

KMPCL has an operational coal-based capacity of 1,800 MW, which can be expanded to 3,600 MW based on the available balance of plant infrastructure. The company may evaluate the feasibility of increasing its operational capacity, to 3600 MW going forward. Additionally, the company may have to incur capex towards installation of the flue gas desulphurisation (FGD) system as per the timelines notified by Ministry of Environment, Forest and Climate Change (MoEF&CC), Government of India to comply with the revised environmental norms. The cost incurred for FGD is expected to be a pass-through under the tariff for the long-term PPAs. However, the company will remain exposed to execution risks for the timely completion of this FGD capex (if incurred) and pass-through of such cost for capacity without long-term PPAs. Further, the project credit metrics would remain exposed to the movement in interest rates, given the floating interest rates and a leveraged capital structure.

ICRA notes that the company remains dependent on KSK Water Infrastructure India Limited and Raigarh Champa Rail Infrastructure Limited for water supply and transportation of coal. Both companies are undergoing Corporate Insolvency Resolution Process (CIRP) independently, and the timely resolution of the same remains important. Also, the timely renewal of the contracts on expiry with these two entities remains critical. However, comfort can be drawn from the fact that the approval for water drawl from the State Water Resources Department and the allocation of rakes from the Indian Railways is in the name of KMPCL. Hence, both water and rail SPVs have a significant dependence on KMPCL.

For the rating exercise, ICRA has made an exception to the 365-day curing period required post regularisation of default for assigning investment grade rating as per ICRA's Policy on default recognition. This exception is due to changes in the company's credit profile, ownership and management, following its acquisition by JSWEL in March 2025 under the NCLT route.

The Stable outlook on the long-term rating for KMPCL reflects ICRA's opinion that the company will benefit from the availability of long-term and medium-term PPAs, coal supply from linkage sources and improving operating efficiency due to various steps undertaken by the new management.

## Key rating drivers and their description

### Credit strengths

**Presence of a strong sponsor in the form of JSW Energy Limited** – KMPCL is supported by the strong credit profile of the sponsor, underpinned by its large scale of operations and a diversified business profile. As of May 2025, JSWEL had an operating generation capacity of 12.2 GW [thermal (46.3%), hydro (11.4%), and renewable energy (42.3%)] and an under-construction capacity of ~11.3 GW. The Group has a demonstrated track record in developing and operating thermal power projects. It enjoys strong financial flexibility as it is a part of an experienced and resourceful promoter group.

**Revenue visibility with presence of PPAs having two-part tariff structure for majority of the capacity** – KMPCL has long-term and medium-term power purchase agreements (PPA) for ~90% of the operational project capacity of 1,800 MW. It has a PPA tied up with UPPCL for 60% of the capacity with an expiry in June 2043 and with TNPDCL for 30% of capacity, expiring as of November 2028. An additional 5% of the capacity is earmarked for Chhattisgarh and the remaining 5% is to be sold in the merchant market. The PPAs with UPPCL and TNPDCL have a two-part tariff structure, comprising non-escalable and escalable capacity and energy charges, providing revenue visibility to the company.

**Presence of fuel supply agreement for domestic coal mitigates fuel supply risk** – KMPCL has limited fuel availability risks as it has an FSA for 8.1 MTPA of domestic coal with various subsidiaries of CIL. In the past year, KMPCL received close to 100% of the contracted quantity under the FSA. The total coal supply of 8.1 MTPA should be sufficient to operate the 1,800 MW plant at over 75% PLF compared to the ~68% average PLF achieved in FY2024 and FY2025.

**Comfortable debt coverage metrics and liquidity profile, following the takeover** – The company's debt coverage is expected to be comfortable with the cumulative DSCR on the external debt estimated to remain above 1.3x over the debt tenure, supported by the availability of PPAs at reasonable tariffs, the long tenure of the project debt and competitive interest rates.

## Credit challenges

**Counterparty credit risk associated with exposure to Uttar Pradesh and Tamil Nadu discoms** – The company remains exposed to counterparty credit risks due to high exposure to the state discoms of Uttar Pradesh and Tamil Nadu, which have modest credit profiles. However, comfort can be drawn from satisfactory collections since the implementation of the late payment surcharges (LPS) rules in 2022. ICRA notes that all receivables due prior to February 1, 2025, will be passed on to the financial creditors. Hence, energy supplied to discoms from February 1, 2025, will be on the account of new promoter (JSWEL).

**Susceptibility to demand and tariff risks with expiry of PPA with TNPDCL in November 2028** – The company remains susceptible to demand and tariff risks for the TNPDCL PPA (30% of capacity), which is expiring in November 2028 and untied capacity of 5%. The ability of the company to tie-up PPA at a remunerative tariff remains a key rating sensitivity. Herein, ICRA notes the improved visibility on new long-term and medium-term PPAs for coal-based power projects amid the healthy demand growth and a slowdown in new capacity addition in the thermal segment.

**Exposure to execution risks for the FGD capex** – KMPCL may have to incur capex towards installation of the FGD system as per timelines notified by MoEF&CC, Government of India to comply with the revised environmental norms. The cost incurred for FGD is expected to be a pass-through under the tariff for the long-term PPAs. However, the company will remain exposed to execution risks for the timely completion of this capex (if incurred) and pass-through of such cost for capacity without long-term PPAs.

**Exposure to interest rate risks** – The company's debt coverage metrics remain exposed to the variation in interest rates because of the leveraged capital structure and floating interest rates.

## Liquidity position: Adequate

The liquidity profile of KMPCL is adequate, 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. 1,050-1,100 crore against debt repayment of Rs. 561 crore in FY2026. KMPCL's cash balances stood at Rs. 90 crore as on March 31, 2025. Further, the company has Rs. 1,100 crore of fund based working capital limits of which ~Rs. 800 crore remains unutilised as on March 31, 2025. ICRA notes that the build-up of the debt service reserve for one quarter over the next 12 months is expected from the company's cashflows. Further, JSWEL is expected to support the company in case of any cash flow mismatch.

## Rating sensitivities

**Positive factors –** ICRA could upgrade KMPCL's rating, if the company is able to improve its earnings and debt coverage metrics on a sustained basis, including through improving its operating performance and tie-up of new PPAs. Also, the rating could improve, if the credit profile of its ultimate parent, JSWEL, improves.

**Negative factors –** Pressure on the rating could emerge in case of any deterioration in the operating performance of the power plant or a build-up of receivables impacting the company's debt coverage metrics and liquidity position. Inability of the company to tie-up PPAs post expiry of the TNPDCL PPA at adequate tariffs could also impact the rating. A specific credit metric for downgrade would be the cumulative DSCR falling below 1.25 times on a sustained basis. Also, any weakening of the credit profile of JSWEL, or any change in linkages/support philosophy between the parent and KMPCL would be negative factors.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Power - Thermal |
| **Parent/Group support** | Parent/Group Company: JSWEL; ICRA expects JSWEL to be willing to extend financial support to the company, if required, given the business linkages, strategic importance and the willingness shown by the parent to support the companies in the Group. |
| **Consolidation/Standalone** | The rating is based on the standalone financials of the company |

## About the company

KMPCL was established to develop a 3,600 MW (6 x 600 MW) domestic coal-based power project at Nariyara village, Janjgir-Champa District of Chhattisgarh. At present, the operational capacity is 1,800 MW (3 x 600 MW), while the balance of plant (BOP) is in place for the entire 3,600 MW. In March 2025, JSW Energy Limited (JSWEL) completed the acquisition of KMPCL as per the approved resolution plan submitted by the company under the corporate insolvency resolution process of the Insolvency and Bankruptcy Code, 2016. JSWEL holds 74% of the equity shares of the company and the secured financial creditors collectively hold the balance 26% equity shares.

### Key financial indicators (audited)

| KMPCL (Standalone) | FY2023 | FY2024 | 9M FY2025* |
|---|---|---|---|
| **Operating income** | 5,116.19 | 5,474.51 | 3,950.17 |
| **PAT** | 617.97 | 2,248.27 | -2,237.16 |
| **OPBDIT/OI** | 15.4% | 47.6% | 45.3% |
| **PAT/OI** | 12.1% | 41.1% | -56.6% |
| **Total outside liabilities/Tangible net worth (times)** | 15.27 | 6.61 | 14.27 |
| **Total debt/OPBDIT (times)** | 26.22 | 7.94 | 8.52 |
| **Interest coverage (times)** | 5.04 | 137.36 | 0.38 |

*Source: Company, ICRA Research; * Provisional financials prior to acquisition by JSWEL; 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 28 2025 | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| **Term loan** | Long Term | 12,475.50 | [ICRA]AA- (Stable) | - | - | - | - | - | - | - | - |
| **Working Capital** | Long Term | 1,100.00 | [ICRA]AA- (Stable) | - | - | - | - | - | - | - | - |
| **Bank Guarantee** | Long Term/ Short Term | 550.50 | [ICRA]AA- (Stable) / [ICRA]A1+ | - | - | - | - | - | - | - | - |
| **Cash credit** | Long Term | - | - | May-09-25 | [ICRA]D; ISSUER NOT COOPERATING; Withdrawn | - | - | Mar-20-24 | [ICRA]D; ISSUER NOT COOPERATING | Jan-30-23 | [ICRA]D; ISSUER NOT COOPERATING |
| **Term loan** | Long Term | - | - | May-09-25 | [ICRA]D; ISSUER NOT COOPERATING; Withdrawn | - | - | Mar-20-24 | [ICRA]D; ISSUER NOT COOPERATING | Jan-30-23 | [ICRA]D; ISSUER NOT COOPERATING |
| **Non-Fund based Facility** | short term | - | - | May-09-25 | [ICRA]D; ISSUER NOT COOPERATING; Withdrawn | - | - | Mar-20-24 | [ICRA]D; ISSUER NOT COOPERATING | Jan-30-23 | [ICRA]D; ISSUER NOT COOPERATING |
| **Non-Fund Based** | Long Term/ short term | - | - | May-09-25 | [ICRA]D; ISSUER NOT COOPERATING/ [ICRA]D; ISSUER NOT COOPERATING; Withdrawn | - | - | Mar-20-24 | [ICRA]D; ISSUER NOT COOPERATING/ [ICRA]D; ISSUER NOT COOPERATING | Jan-30-23 | [ICRA]D; ISSUER NOT COOPERATING/ [ICRA]D; ISSUER NOT COOPERATING |

## Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|---|
| **Long-term Fund-based – Term loan** | Simple |
| **Long Term-Fund Based-Working Capital** | Simple |
| **Long Term / Short Term-Non-Fund Based-Bank Guarantee** | 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** | March 2025 | NA | March 2041 | 12,475.50 | [ICRA]AA- (Stable) |
| **NA** | **Long Term-Fund Based-Working Capital** | NA | NA | NA | 1,100.00 | [ICRA]AA- (Stable) |
| **NA** | **Long Term / Short Term-Non-Fund Based-Bank Guarantee** | NA | NA | NA | 550.50 | [ICRA]AA- (Stable) / [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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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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