May 30, 2025

Haldia Energy Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper programme**	450.00	450.00	[ICRA]A1+; reaffirmed
Total	**450.00**	**450.00**	

**Instrument details are provided in Annexure-I; ** The rating of the aforementioned instrument is based on the condition that total short-term borrowings (including commercial paper, short-term debt and bank borrowings) of the company at any given point of time should not exceed the company's drawing power or the bank sanctioned fund-based limits (whichever is lower)*

Rationale

The ratings reaffirmation continues to factor in the strong parentage of Haldia Energy Limited (HEL) as a part of the RP-Sanjiv Goenka (RP-SG) Group, which lends it a high degree of financial flexibility, and the strategic importance of HEL to its parent CESC Limited (CESC; rated [ICRA]A1+), given that HEL's 600-MW coal-based power plant meets around 35-40% of the annual power demand in CESC's distribution territory in Kolkata. The rating considers HEL's low offtake risks for its coal-based generation unit, with the entire capacity tied up under a regulated cost-plus tariff-based long-term power purchase agreement (PPA) with CESC. The company has limited fuel availability risks as it has a fuel supply agreement (FSA) of 2.57 million tonne per annum (MTPA) with Mahanadi Coalfields Limited (MCL), which is a subsidiary of Coal India Limited (CIL). Over the last few years, HEL has been receiving more than 90% of the annual contracted quantity (ACQ) of coal through the FSA. The remaining requirement of coal is met through e-auction, where the higher cost is a pass-through under the terms of the PPA. The rating reaffirmation also factors in HEL's efficient operations, with the company's actual parameters like station heat rate (SHR), plant availability factor (PAF), auxiliary energy consumption, fuel oil consumption and plant availability factor (PAF) being better than the normative parameters, resulting in sizeable efficiency gains and incentive income.

The rating, however, remains constrained by the company's exposure to regulatory risks associated with timely issuance of tariff order, cost-reflective tariffs, and any large cost disallowances in APR[1] orders. ICRA has noted the build-up of regulatory assets since FY2022, which accumulated to around Rs.648 crore (net of advance against depreciation and deferred taxes) as on March 31, 2025. Further, WBERC has disallowed HEL's capital cost accumulating to around Rs.289 crore for the generation and transmission assets which has led to under-recovery in capacity charges. In this regard, it is to be noted that HEL had approached Appellate Tribunal for Electricity (APTEL) against these capital cost disallowances and vide order dated April 30, 2025, APTEL had favorably ruled towards recovery of a sizeable portion of the disallowed capital costs. In addition, WBERC has released the APR orders only till FY2020 and with the regulatory asset build up gathering pace from FY2022, the significant delay in the release of subsequent orders have adversely impacted HEL's cash generation. Going forward, timely recovery of regulatory assets through adequate tariff revisions remains a key rating monitorable. Given the sizeable debt repayments going forward, ICRA expects HEL's DSCR[2] to remain constrained over the near term, exposing the company to refinancing risks. However, the company's high financial flexibility, access to need-based funding support from the parent, and sizeable on-balance sheet liquidity provides comfort from the liquidity perspective. ICRA notes that HEL availed fresh long-term borrowing of Rs.550 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.647 crore as on March 31, 2025. ICRA opines that even with the aforementioned borrowing programme, HEL's credit metrics is expected to remain in line with its rating category. However, any further large leveraging

[1] Annual Performance Review
[2] Debt Service Coverage Ratio

plans, which weighs down on HEL's coverage and leverage metrics, remains a rating monitorable. HEL has sizeable investments in group entities in the form of advances which stood at Rs. 787 crore as on March 31, 2025. While the quantum has been reducing gradually over the years, the same still remained sizeable and leads to capital blockage and in turn leading to greater reliance on debt.

Key rating drivers and their description

Credit strengths

Strong parentage of RP-SG Group – HEL is a 100% subsidiary of CESC, which is the flagship company of the RP-SG Group. HEL benefits from high financial flexibility because of its parentage and Group linkages, demonstrated in its ability to access the capital markets and borrow at competitive rates. Moreover, the entire power generated from this 600-MW thermal power plant is procured by CESC, which is the distribution licensee for the Kolkata region. HEL supplies 35-40% of CESC's annual energy requirement and is thus strategically important to the latter.

Limited offtake risks because of 25-year PPA with CESC – HEL has a PPA with CESC for 25 years at a tariff determined on the cost-plus basis. It benefits from the long-term PPA and the assured offtake arrangements by CESC, which has a strong credit profile (rated [ICRA]A1+). Moreover, the power sourced from HEL's plant meets the base load requirement along with the Budge-Budge unit (750 MW), while the ageing Southern (135 MW) unit serves more as a peak load station.

Low fuel availability risks due to FSA with MCL – HEL has an FSA for sourcing 2.57 million tonnes per annum (MTPA) of coal from MCL. The company has been receiving more than 90% of the annual contracted quantity (ACQ) from MCL since FY2017, which is considerably higher than the guaranteed supply volume of 75% of the ACQ. The FSA insulates the company from fuel availability risk to a great extent, while any price fluctuation is passed on under the PPA. In addition to sourcing domestic coal, either through linkage or e-auction, HEL's plant has the flexibility to source imported coal as its location is close to the Haldia port.

Efficient plant operations – HEL reported PAF of 95.81% and PLF of 91% in FY2025. The operating parameters of HEL's generation unit, including SHR, auxiliary energy consumption, fuel oil consumption, PLF and PAF, remain much better than the norms prescribed by the WBERC. This results in sizeable efficiency gains and incentive income for the company.

Credit challenges

Regulatory risks related to timely issuance of tariff order and disallowances in cost items in the APR order – HEL's tariff is on a cost-plus basis as determined by the WBERC, exposing the company to the regulatory risk associated with the delay in receiving tariff orders and disallowance of costs in the APR order by the state regulatory commission. ICRA has noted the build-up of regulatory assets since FY2022, which accumulated to around Rs.648 crore (net of advance against depreciation and deferred taxes) as on March 31, 2025. Further, WBERC has disallowed HEL's capital cost accumulating to around Rs.289 crore for the generation and transmission assets which has led to under-recovery in capacity charges. In this regard, it is to be noted that HEL had approached APTEL against these capital cost disallowances and vide order dated April 30, 2025, APTEL had favorably ruled towards recovery of a sizeable portion of the disallowed capital costs. In addition, WBERC has released the APR orders only till FY2020 and with the regulatory asset build up gathering pace from FY2022, the significant delay in the release of subsequent orders have adversely impacted HEL's cash generation. Going forward, timely recovery of regulatory assets through adequate tariff revisions remains a key rating monitorable.

Sizeable debt servicing obligations expected to constrain the DSCR – Given the sizeable debt repayments going forward, ICRA expects HEL's DSCR[3] to remain constrained over the near term, exposing the company to refinancing risks. However, the company's high financial flexibility, access to need-based funding support from the parent, and sizeable on-balance sheet

[3] Debt Service Coverage Ratio

liquidity provides comfort from the liquidity perspective. ICRA notes that HEL availed fresh long-term borrowing of Rs.550 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.647 crore as on March 31, 2025. ICRA opines that even with the aforementioned borrowing programme, HEL's credit metrics is expected to remain in line with its rating category. However, any further large leveraging plans, which weighs down on HEL's coverage and leverage metrics, remains a rating monitorable.

Substantial exposure to group entities leading to capital blockage – HEL has sizeable investments in group entities in the form of advances which stood at Rs. 787 crore as on March 31, 2025. While the quantum has been reducing gradually over the years, the same still remained sizeable and leads to capital blockage and in turn leading to greater reliance on debt.

Liquidity position: Adequate

HEL has demonstrated a track record of positive free cash flow generation in four out of the last six fiscals starting FY2020. This, along with sizeable free cash/bank balances of around Rs. 647 crore as on March end 2025 has led to HEL's liquidity position being assessed as **adequate**. Notwithstanding the sizeable repayments obligations going forward, leading to a subdued DSCR, ICRA expects the company to meet any potential cash flows timing mismatches through its on-balance sheet liquidity. Moreover, being a strategically important entity to CESC, HEL's liquidity profile benefits from the parent's high financial flexibility and willingness to support its operations in case the need arises.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on HEL's rating may arise if there is a marked deterioration in the credit profile of CESC, HEL's parent and the sole customer. Further, any large cost disallowance of HEL at the time of true up and/or tightening of normative operating norms by the WBERC, significantly tempering HEL's return indicators and debt coverage metrics may lead to a downgrade. Further, large support to DIL/other Group companies adversely impacting the company's liquidity profile may impact the rating negatively.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Thermal
Parent/Group support	The rating assigned to HEL factors in the high likelihood of its parent, CESC Limited [rated [ICRA]A1+], extending financial support to HEL because of the close business linkages between the entities and out of the need to protect its reputation from the consequences of a Group entity being in distress
Consolidation/Standalone	Standalone financial profile

About the company

HEL is a part of the Kolkata-based RP-SG Group. It is a wholly-owned subsidiary of CESC. The company operates a 2X300 MW thermal-based power generation unit in Haldia, West Bengal. The two units were commissioned on January 28, 2015 and February 21, 2015, respectively. The entire capacity has been tied up under a long-term cost-plus PPA with CESC.

Key financial indicators

HEL	FY2024 (Audited)	FY2025*
Operating income	2,233.98	2,053.14
PAT	253.60	283.71
OPBDIT/OI	40.56%	38.87%
PAT/OI	11.35%	13.82%
Total outside liabilities/Tangible net worth (times)	1.01	0.97
Total debt/OPBDIT (times)	3.06	3.67
Interest coverage (times)	3.53	3.36

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, *Provisional numbers*

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)	May 30, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short Term	450.00	[ICRA]A1+	21-MAY-2024	[ICRA]A1+	31-MAY-2023	[ICRA]A1+	31-MAY-2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	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
Unplaced	**Commercial paper**	-	-	-	450.00	[ICRA]A1+

Source: Company

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

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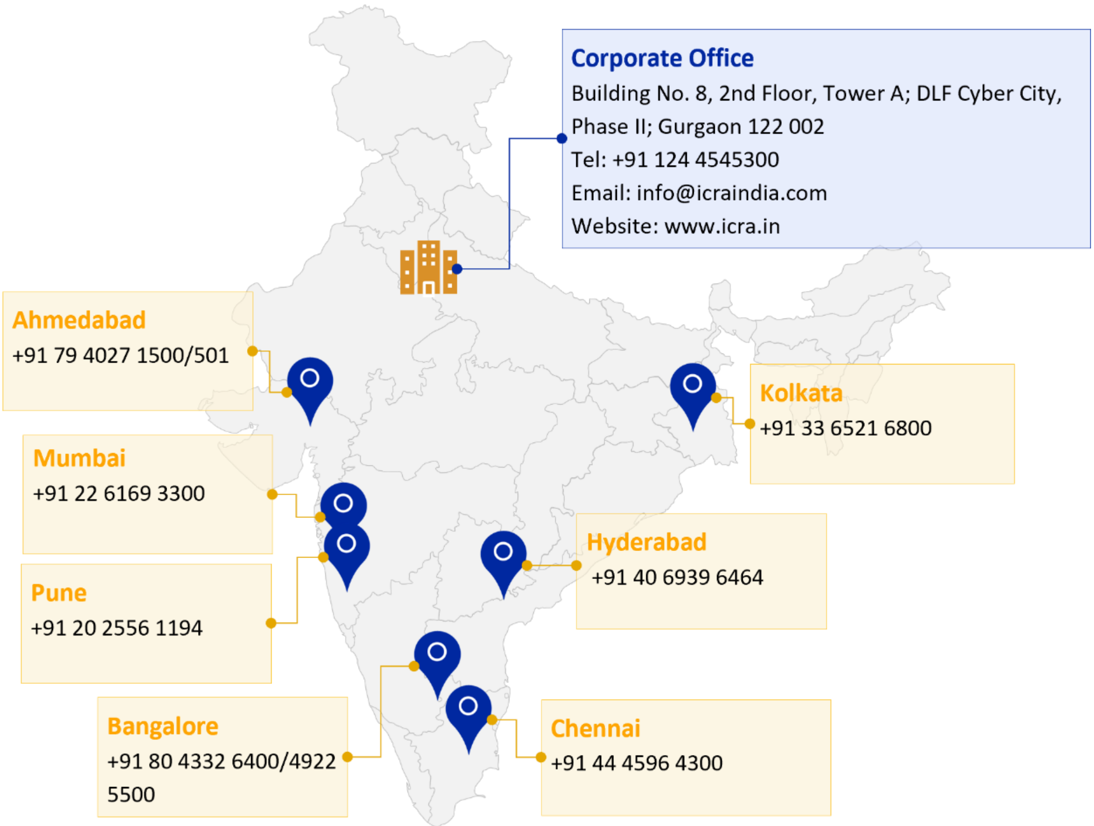

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