



MP Power Management Company Limited

Instrument	Amount	Rating
	In Crore	As on November 13
Fund Based Limits	60.0	[ICRA]BB+ (Stable) <i>assigned</i>
Non Fund Based Limits	440.0	[ICRA]A4+ <i>assigned</i>

ICRA has assigned a rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs 60.0 crores^{*} fund based bank facilities of Madhya Pradesh Power Management Company Limited (MPPMCL).[†] The outlook on the long term rating is 'Stable'. ICRA has also assigned rating of [ICRA]A4+ to the Rs 440 crores Non fund based facilities of MPPMCL.

In arriving at the rating, ICRA has taken a consolidated view of MPPMCL and the state owned power distribution companies in Madhya Pradesh. Also, the credit rating of State owned power sector entities has linkages with that of Government of Madhya Pradesh (GoMP), given the dependence of these utilities on subsidy from the state government and the strategic importance of these utilities in fulfilling the socio-economic objectives of GoMP.

The assigned rating of MPPMCL is constrained by steadily rising loss levels of utilities even after receipt of revenue subsidy from Government of Madhya Pradesh (GoMP) due to higher than targeted Aggregate Technical and Commercial Loss (AT&C) loss levels and inadequate revision in tariffs in the past (rise in tariff in FY 2014 was marginal at 0.8%). Further, there has been no true-up of past revenue gap since FY09. ICRA further notes that absolute subsidy dependence for the sector as a whole still remains high which implies a linkage with credit quality of State Government. Any delays in subsidy release by GoMP or inadequacy in subsidy support thus remains a key rating sensitivity. Although MPPMCL on a standalone basis does not have any debt outstanding however it remains exposed to weak financial profile of the Discoms and the high debt levels on a consolidated basis in all the three discoms. However comfort can be drawn from the fact that a large part of the debt is from GoMP in the form of perpetual loans.

The ratings, however favourably factor in the commitment shown by the GoMP in terms of implementing the debt restructuring package as reflected in support for capital expenditure and revenue gap requirements on a yearly basis, and timely payment of subsidy. The rating also takes comfort from the fact that the Fuel and Power Purchase Cost Adjustment (FPPCA) mechanism is in place which enables the distribution utilities to pass on the variations in power costs in a timely manner on the basis of a formula preapproved by the regulator.

Company Profile

Government of Madhya Pradesh vide Notification dated 31.05.2005 restructured Madhya Pradesh State Electricity Board (MPSEB) into five independent companies. Madhya Pradesh State Electricity Board was restructured into five successor entities on functional lines into three distribution entities (formed on regional lines), one transmission entity and one generating entity. The Residual MPSEB was vested with the functions of bulk purchase of electricity from generating companies and supply of electricity in bulk to the three Discoms of the State. Subsequently, the functions, properties, interest rights and obligations of the Residual Madhya Pradesh State Electricity Board relating to Bulk Purchase and Bulk Supply of Electricity along with the related agreements and arrangements were transferred and vested in MP Power Trading Company Limited (TRADECO).

^{*} 1 crore=10 million=100 lakhs

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



In April 2013, the name of the MP Power Trading Company Limited was changed to MP Power Management Company (MPPMCL). MPPMCL became the holding company for all the DISCOMS of Madhya Pradesh.

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