May 07, 2025

OPG Energy Private 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	21.41	2.03	[ICRA]BB-(Stable); reaffirmed
Short term – Non Fund based	16.00	11.00	[ICRA]A4; reaffirmed
Total	**37.41**	**13.03**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the rating for OPG Energy Private Limited (OEPL) considers the significant reduction in its debt levels since FY2024 as well as the the realisation of payments from group company. OEPL's external debt levels have reduced by 86% since March 31, 2023, with only the Covid loan outstanding in form of external debt of ~Rs. 2.0 crore as on March 31, 2025. OEPL's revenues increased to Rs. 72.3 crore in FY2024 from Rs. 51.1 core in FY2023, led by the receipt of payments from NTPC Vidyut Vyapar Nigam Limited (NVVN) towards the sale of solar power. This has allowed OEPL to partly recover the advances extended to Brics Power Generation Private Limited (BPGPL)[1]. While the company booked an estimated ~Rs. 15-crore revenue from the sale of solar power in FY2025 (against ~Rs. 27 crore in FY2024), ICRA understands that this revenue stream is expected to stop from FY2026, post an amendment of the PPA. This remains a negative from OEPL's profitability perspective. The project economics for OEPL's 25.47-MW gas-based power plant are expected to remain weak on account of high gas prices, the short term nature of the PPAs with weak termination clauses and lack of a mechanism for pass-through of fuel costs. These factors, along with a low offtake from the counterparties, are expected to result in subdued operating cash flows for the company.

ICRA notes that in the last few years (between FY2021 and 9MFY2025), OEPL's landed gas cost (per SCM) from GAIL has increased by a steep ~215%. While the company has tried to periodically revise the tariffs to absorb the cost escalations, such increases have generally not been commensurate with the fuel cost rise. The ratings, therefore, remained constrained by elevated gas prices and the inability of the company to fully pass on the increase through higher tariffs to its customers for its gas-based power plant, adversely impacting its profitability and debt coverage metrics.

Further, the ratings remain constrained by the limited availability of natural gas in the nearby gasfields, which has led to a modest plant load factor during the last few years (PLF ranging between 29% and 38%) for OEPL's gas-based project, in turn impacting its profitability and return metrics. Also, ICRA takes note of the demand and tariff risks arising from the short/medium-term nature of the existing PPAs for the gas-based plant, given the competition from other group captive/third party-based generation entities, including those based on renewable sources.

The ratings are also constrained by the relatively weak credit profile of most of the group captive consumers and the regulatory risks associated with the ownership eligibility criterion for captive consumers under the group captive model.

The ratings derive strength from the project's fuel supply agreement (FSA) in place with GAIL for gas supply and the PPAs signed with group captive customers at tariffs which are at a discount to the corresponding grid tariff, supporting its cost competitiveness.

[1] *The solar assets of OEPL were transferred to BPGPL as part of demerger in FY2023. At present, OEPL is raising invoices to NVVN and remitting payments to BPGPL which is expected to cease from FY2026 post amendment in PPA.*

Key rating drivers and their description

Credit strengths

Operational gas-based plant having FSA with GAIL and PPAs with industrial customers - The company's gas power plant has been operational since March 2004, with a fuel supply agreement (FSA) in place with GAIL for gas supply. The company has signed PPAs with group captive customers at tariffs which are at a discount to the corresponding grid tariff. Also, the company supplies majority of the power generated to an industrial customer, which operates a billet manufacturing unit. ICRA understands that this industrial customer does not have any alternative power procurement arrangement, which limits the demand risk, to a certain extent, for its gas-based facility.

Credit challenges

Revenues and profitability exposed to availability of natural gas and forex rates; profitability and debt coverage metrics to remain subdued in near term amid elevated natural gas prices – The operations of the gas-based power plant are constrained by the limited supply of natural gas, leading to sub-40% PLF for the last few years. Further, OEPL's profitability remains vulnerable to the fluctuations in natural gas prices, as determined by the Government from time to time, and foreign exchange rates, given the lack of any pass-through clause in the PPAs. While the recent revision in gas pricing guidelines caps the price of gas sourced by OEPL at $6.5/MMBTU (increased by 0.25 cents for H1 FY2026) compared to $8.57/MMBTU in H2 FY2023, the prices remain elevated compared to the previous years. Higher gas prices along with the limited increase in tariffs are likely to keep the profitability and debt coverage metrics subdued for the company in the near term.

Tariff risks from short-term nature of existing PPAs; credit profile of captive consumers remains weak – The short to medium term nature of the PPAs exposes the company to demand and tariff risks, given the competition from other power generators in the region, with a sharp decline in renewable power tariffs. Nonetheless, comfort can be drawn from the demonstrated track record of OEPL in renewing PPAs with the group captive consumers. However, the credit profile of these customers remains weak, exposing the company to high counterparty credit risks. The receivables for OEPL have also remained high at 96 days as on March 31, 2024.

Policy risk associated with amendment norms proposed for group captive power plants – OEPL's gas-based facility has group captive customers as its counterparties. Hence, the company is exposed to the risk of policy changes in the eligibility criterion for group captives pertaining to the ownership structure and the equity requirements of consumers.

Liquidity position: Stretched

The liquidity position of the company is assessed as stretched on expectations of negative free cash flows in FY2026 as the earnings are expected to take a hit due to a combination of increased gas prices and winding-down of revenue stream from solar power sale. While there is limited free on-balance sheet liquidity, the earnings expected to be sequentially weaker in FY2026. Thus, the company is likely to remain dependent on funding support from the promoter group (including release of advances from BRICS) to meet its debt obligations in the near term. The company has free cash/bank balances of Rs. 0.93 crore and lien marked/debt service reserve of Rs. 7.70 crore as on March 31, 2025.

Rating sensitivities

Positive factors – The ratings can be upgraded if the economics of the gas-based power plant improves, either through higher tariffs or a significant reduction in gas prices which will improve its liquidity and debt coverage indicators.

Negative factors – The ratings may be downgraded in case of a further deterioration in the liquidity profile of the company, either due to adverse economics for its gas-based unit or delays in payments from the customers.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power - Thermal
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the rated entity

About the company

OEPL was promoted by Kanishk Steel Industries Limited and was incorporated in September 2000 for setting up a 17.98-MW natural gas-based power plant at Maruthur village, Tamil Nadu. The plant was set up under the captive power policy of the Tamil Nadu Electricity Board. The 17.98-MW plant was commissioned in March 2004, which was increased to 19.38 MW after the installation of a 1.4-MW waste heat recovery-based generating unit in December 2007. The capacity was further augmented to 25.47 MW in May 2011 with the addition of 3x2 MW gas generation sets. The equipment and machinery for the 17.98-MW plant was supplied by Wartsila (Finland) and the operations and maintenance (O&M) contract was also given to it.

The company has an FSA with GAIL (India) Limited till July 6, 2026. It also established a 5-MW solar plant in the Jodhpur district of Rajasthan at a project cost of Rs. 84.5 crore, commissioned in November 2011. The energy from the solar plant is supplied to NVVN under a long-term PPA of 25 years. The solar plant was demerged from OEPL to BPGPL after receiving approval from the NCLT in July 2022. Also, the investments in group companies held by OEPL were transferred to Dhanvarsha Enterprises & Investments Private Limited as part of the demerger. At present, OEPL is held by the Gupta family (promoters of OPG Group) through promoter companies, namely Tamil Nadu Property Developers Limited and Salem Food Products Private Limited.

Key financial indicators (audited)

OEPL (Standalone)	FY2023	FY2024
Operating income	51.10	72.27
PAT	0.06	3.38
OPBDIT/OI	0.67%	2.39%
PAT/OI	0.12%	4.68%
Total outside liabilities/Tangible net worth (times)	0.95	0.82
Total debt/OPBDIT (times)	68.45	8.26
Interest coverage (times)	0.13	1.04

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

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 07 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	2.03	**[ICRA]BB-(Stable)**	-	-	Mar 27, 2024	[ICRA]BB-(Stable)	Nov 09, 2022	[ICRA]BB (Negative)
						May 16, 2023	[ICRA]BB-(Stable)	Jun 07, 2022	[ICRA]BBB-(Negative)
Non-fund based	Short term	11.00	**[ICRA]A4**	-	-	Mar 27, 2024	[ICRA]A4	Nov 09, 2022	[ICRA]A4
						May 16, 2023	[ICRA]A4	Jun 07, 2022	[ICRA]A3

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund-based Term Loan	Simple
Short term – Non-fund based	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**	FY2022	-	FY2027	2.03	[ICRA]BB-(Stable)
NA	**Short term – Non-fund based**	NA	NA	NA	11.00	[ICRA]A4

Source: Company

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

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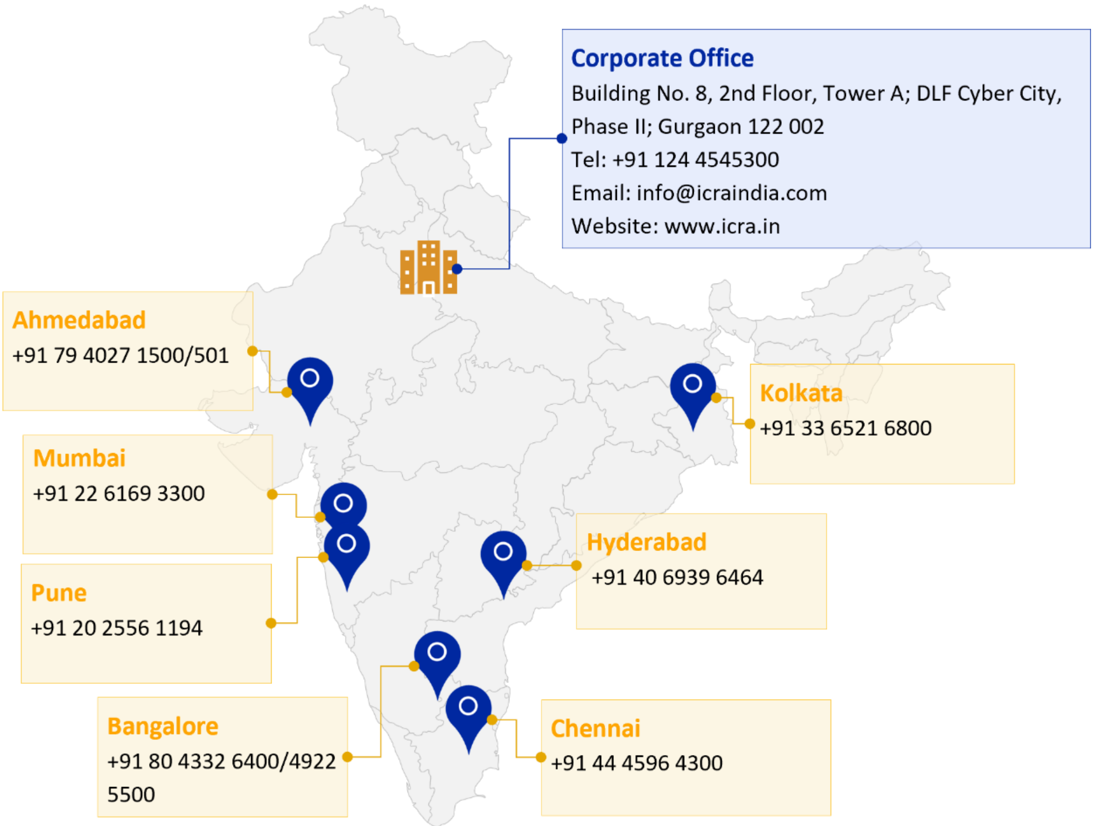

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