

Aravali Power Company Private Limited

Instrument	Amount (In Rs Crore)	Rating Action
Fund Based Limits	1200.0	[ICRA]A (Stable) <i>reaffirmed</i>
Non-Fund Based Limits	125.0	[ICRA]A1 <i>reaffirmed</i>

ICRA has reaffirmed long term rating of [ICRA]A (pronounced as ICRA A) assigned to the Rs 1200 crore fund based facilities of Aravali Power Company Pvt Ltd (APCPL)[†]. The long term rating carries a stable outlook. ICRA has also reaffirmed short term rating of [ICRA]A1 (pronounced as ICRA A one) assigned to the Rs 125 crore non fund based facilities of APCPL.

ICRA's reaffirmation of rating continues to factor in the limited project implementation risks, given that its 1500 MW coal based thermal power plant in Jhajjar, Haryana is already operational, tying up of power sales through long term Power Purchase Agreement for the entire capacity and also limited fuel risks given tying up of Fuel Supply Agreements with Coal India Limited's subsidiaries. Given the cost plus nature of PPA, the company's profitability is likely to be stable and not exposed to fuel price risk subject to its ability to operate within the normative parameters. Although weak demand has resulted in low plant load factor (PLF) in the last three fiscal years for the company, linkage of capacity charges to Plant availability factor (PAF) secures the revenues streams of the company. ICRA also substantially derives comfort from the company's promoter profile with NTPC Ltd. (rated ICRA AAA and A1+) holding a 50% stake in the company and providing comfort in terms of in-house technical and managerial expertise available for the company which reduces operations and maintenance risks for the project.

Rating concerns emanate from the presence of counterparty credit risks, as the company is exposed to financially weak discoms which can also impact the working capital cycle of the company. In this context however ICRA notes steps being taken by the Central and state govt to improve the financial strength of the power sector, including debt restructuring under the Uday Scheme of Govt of India. Secondly, the company's cost of power is relatively high given the high landed cost of coal, arising out of its inland location which results in high freight cost, which adversely impacts its merit order position. Further, ICRA notes that the company's gearing is relatively high at 1.80 times as on March 31, 2015 (although improved from 1.97 times as on March 31, 2014) and the coverage indicators are going to be modest in the near term given the relatively high debt load which is typical to power projects at an early stage of its life cycle.

Going forward, the ability to operate at normative parameters and improvement in financial profile of state discoms and thereby reduction in counterparty credit risk will remain key drivers for the company's ratings.

Company Profile

Aravali Power Company Pvt Ltd. (APCPL) is a Joint venture company between NTPC Ltd (50%), Haryana Power Generation Company Ltd (HPGCL, 25%), and Indraprastha Power Generation Company Ltd (IPGCL, 25%). APCPL has constructed a 1500 MW coal based power plant near Village Jharli, District- Jhajjar (Haryana) named Indira Gandhi Super Thermal Power Project (IGSTPP). All three units of the project have been commissioned now with the last unit achieving COD on April 26, 2013. The current estimated cost of the project is Rs 10131.82 crore. PFC (Power Finance Corporation) has funded the term loans for this project. Fuel Supply Agreements for the project have been signed with Mahanadi Coalfields Ltd (3.907 MTPA), Eastern Coalfields Ltd (1.000 MTPA) and Northern Coalfields Ltd (1.000 MTPA). Long term PPA has been signed for the entire generation capacity with 11 states.

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

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



The company achieved an annual plant availability factor of 84.6% in FY 2014-15 (97.2% in FY 2013-14), however the plant load factor remained lower at 53.46% in FY 2014-15 (41.3% in FY 2013-14) on account of weak demand from the discoms. The estimated project cost is Rs 10131.82 crore on account of additional capitalization which will be incurred till March 2016.

During FY 2014-15, the company has reported an operating income of Rs 4439.1 cr as against Rs 3486.2 cr in FY 2013-14 and the profit after tax was Rs 179.85 cr in FY 2014-15 as against Rs 372.73 cr in FY 2013-14. The profit after tax is after accounting for Deferred Tax Liability of Rs 167.73 cr pertaining to the period from commissioning upto 31st March 2014 not charged earlier.

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