RattanIndia Power Ltd — FY 2023 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**RTNPOWER operates a 2,700 MW thermal portfolio, yet remains 50% non-operational as the 1,350 MW Sinnar plant is stranded in insolvency proceedings.**	—
2	***Revenue is stagnant at 3,231 Cr with 100% customer concentration risk, relying entirely on a single PPA with MSEDCL.***	—
3	***The business model is fundamentally broken at the current capital structure, with finance costs of 2,512 Cr consuming 77.7% of total revenue.***	—
4	***The company is technically insolvent with a negative net worth of 4,533 Cr and accumulated losses totaling 9,903 Cr.***	—
5	***Financial health is critical, evidenced by a negative Debt/Equity of -2.43x and a dismal interest coverage ratio of 0.29x.***	—
6	***Cash Flow from Operations of 1,015 Cr is insufficient to service even 40% of annual interest obligations, indicating a severe debt trap.***	—
7	**A □1,114 Cr refinancing from Kotak Mahindra Bank and a □613 Cr legal recovery offer marginal liquidity relief but do not solve structural insolvency.**	—
8	***Earnings quality is poor due to aggressive revenue recognition; 71% of receivables (1,770 Cr) are disputed, with zero provisioning for aged dues.***	—
9	***Governance risks are elevated by a qualified audit opinion, high RPT exposure (47.8% of revenue), and a Chairman-to-median pay ratio of 51x.***	—
10	***The Sinnar subsidiary represents a massive contingent liability with 11,700 Cr in defaults and a potential 7,685 Cr asset write-off risk.***	—
11	**Operational performance at the Amravati plant is a lone bright spot, achieving a record 77.18% PLF and improved domestic coal security.**	—
12	***Investment View: Avoid; stance remains firm until interest coverage exceeds 1.5x and the Sinnar plant secures a long-term PPA.***	—

1. Business overview (In Bullet Points)

- **Business Segments:** RattanIndia Power (RTNPOWER) is a pure-play thermal power utility with a total installed capacity of 2,700 MW. This is split equally between two locations: the operational Amravati plant (1,350 MW) and the non-operational Sinnar, Nashik plant (1,350 MW).
- **Revenue Drivers:** Revenue is primarily driven by the Amravati plant under a 25-year Power Purchase Agreement (PPA) with MSEDCL for 1,200 MW. Income is based on a "Case-1" bidding framework, recovering capacity charges (availability-based) and energy charges (dispatch-based).
- **Cost Drivers:** Coal is the primary cost driver (69% of revenue). The company holds Fuel Supply Agreements (FSA) with Coal India subsidiaries (SECL). Logistics and Indian Railways rake allotment are critical bottlenecks.

- **Industry Position:** RTNPOWER is among the top 10 private power producers in India, positioned as a "base load" provider to meet national peak demand surges.
- **Expansion & Capacity:** No new greenfield capacity is planned. Growth is entirely dependent on the **resolution and operationalization of the 1,350 MW Sinnar (Nashik) plant**, which is currently a non-performing asset in insolvency proceedings.
- **Segment Performance:** The Amravati plant achieved its **highest-ever Plant Load Factor (PLF) of 77.18%** and 81.35% availability in FY 2023. However, the Sinnar subsidiary remains a significant drag with accumulated losses of ₹11,803.88 Cr.
- **Geographical Presence:** Operations are concentrated in Maharashtra, India, creating high structural risk related to local regulatory and climatic conditions.
- **Acquisitions & Refinancing:** Post-FY23, the company **refinanced its debt in a ₹1,114 Cr transaction** led by Kotak Mahindra Bank, replacing older restrictive debt and signaling a return to mainstream banking.

2. Management commentary & outlook

- Management has shifted its strategic focus from "stress resolution" to "operational excellence," aiming to maximize Amravati's efficiency while reviving the Sinnar project.
- The successful Supreme Court litigation against MSEDCL, resulting in a ₹613.01 Cr recovery as of June 2023, is viewed as a major liquidity booster and a structural de-risking of receivables.
- Management is "working round the clock" to operationalize the 1,350 MW Sinnar plant, citing Ministry of Power directions to revive stressed plants as a key tailwind.
- The demand environment is described as extremely bullish, with management positioning coal-based "base load" power as essential to support intermittent renewable energy.
- Fuel security is a priority; the company successfully increased monthly coal allocation by 20% in Q4 FY23 via Road-cum-Rail (RCR) mode to reduce reliance on expensive imports.
- The technical team, comprising ex-NTPC and BHEL personnel, is highlighted as a core execution strength for "Resource Adequacy Planning."
- The refinancing led by Kotak Mahindra Bank is presented as a pivotal moment, moving the company from "Special Situation" lenders to mainstream private sector banking.
- Management maintains a "going concern" assumption for the Sinnar subsidiary based on an NCLAT stay order, despite the plant's admission into the Corporate Insolvency Resolution Process (CIRP).
- **Management Tone:** The narrative is "pragmatically aggressive," focusing heavily on operational records and legal victories to distract from glaring auditor qualifications regarding the Nashik subsidiary. While the operational performance at Amravati is objectively strong, the refusal to impair the Nashik investment suggests a high-stakes bet on government-led resolution. The transition to Kotak Mahindra Bank is the strongest qualitative signal that the business is attempting to move past its distressed phase.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2023	Mar 2022
Sales	3,231	3,260
Sales Growth %	-0.87	108.96
Expenses	2,493	2,457
Manufacturing Cost %	69	69
Employee Cost %	2	2
Other Cost %	6	5
Operating Profit	738	803
OPM %	23	25
Other Income	328	-28
Exceptional items	0	-438
Other income normal	328	410
Interest	2,512	2,342
Depreciation	404	414
Profit before tax	-1,849	-1,981
Tax %	1	0
Net Profit	-1,870	-1,981
Minority share	0	0
Exceptional items AT	0	-438
Profit excl Excep	-1,870	-1,544
Profit for PE	-1,870	-1,544
Profit for EPS	-1,870	-1,981
Profit Growth %	-21	-64
EPS (□)	-3.48	-3.69
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2023	Mar 2022
Equity Capital	5,370	5,370
Reserves	-9,903	-8,032
Borrowings	11,018	11,547
Long term Borrowings	2,554	7,130
Short term Borrowings	8,431	4,378
Lease Liabilities	33	39
Preference Capital	377	580
Other Borrowings	-377	-580
Other Liabilities	10,887	8,773
Non controlling int	0	0
Trade Payables	283	46
Advance from Customers	0	0
Other liability items	10,604	8,727
Total Liabilities	17,372	17,658
Fixed Assets	13,051	13,381
Land	477.14	216.96
Building	490.71	453.97
Plant Machinery	14,688.37	14,639.97
Equipments	7.57	6.60
Computers	5.41	4.98
Furniture n fittings	5.54	5.48
Railway sidings	566.58	566.58
Vehicles	11.79	12.17
Intangible Assets	0	0.31
Other fixed assets	8.48	283.92
Gross Block	16,261.59	16,190.94
Accumulated Depreciation	3,211.02	2,809.94
CWIP	1,110	1,142
Investments	8	4
Other Assets	3,203	3,131
Inventories	136	137
Trade receivables	2,492	2,212
Receivables over 6m	1,606	1,644
Receivables under 6m	886	568
Prov for Doubtful	0	0
Cash Equivalents	234	270

Line item	Mar 2023	Mar 2022
Loans n Advances	21	13
Other asset items	320	499
Total Assets	17,372	17,658

Cash flow statement (□Cr)

Line item	Mar 2023	Mar 2022
Cash from Operating Activity	1,015	934
Profit from operations	1,061	1,072
Receivables	17	-261
Inventory	-15	141
Payables	70	19
Loans Advances	0	0
Other WC items	-120	-35
Working capital changes	-48	-136
Direct taxes	3	-2
Cash from Investing Activity	-5	55
Fixed assets purchased	-31	-15
Fixed assets sold	0	0
Capital WIP	0	0
Investments purchased	-4	-3
Investments sold	0	0
Interest received	12	12
Dividends received	0	0
Invest in subsidiaries	0	0
Redemp n Canc of Shares	0	0
Inter corporate deposits	0	0
Other investing items	17	61
Cash from Financing Activity	-977	-952
Proceeds from shares	0	0
Proceeds from borrowings	3	8
Repayment of borrowings	-795	-735
Proceeds from deposits	0	0
Interest paid fin	-178	-225
Financial liabilities	-8	0
Other financing items	0	0
Net Cash Flow	33	37
Free Cash Flow	985	919
CFO/OP	137	117

Key ratios

Line item	Mar 2023	Mar 2022
Debtor Days	282	248
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	282	248
Working Capital Days	-1,757	-1,048
ROCE %	9	8

3.2 Financial analysis summary

- **Revenue** remained stagnant at □3,231.00 Cr, showing a marginal decline of 0.87% YoY, with 100% of operational revenue derived from a single customer, MSEDCL, creating extreme concentration risk.
- **Revenue** recognition is aggressive, including "Change in Law" claims and Late Payment Surcharges based on management's "best estimates" rather than final regulatory orders; Revenue from Operations includes □2,143.69 Cr in such claims.
- **Operating Profit** of □738.00 Cr resulted in an OPM % of 23.00% (down from 25.00% YoY), as Fuel Costs dominated the expense structure at 69% of Revenue (□2,230.30 Cr).
- **Finance Cost** of □2,512.00 Cr is a massive drain, representing 77.7% of Revenue, leading to a deep Net Profit loss of -□1,870.00 Cr and an Interest Coverage ratio of only 0.29.
- **Trade Receivables** increased to □2,492.00 Cr, representing 77% of annual Revenue, with Debtor Days deteriorating to 282 days; notably, 71% (□1,770.12 Cr) are "Disputed" and □999.22 Cr are aged >3 years with zero Allowance for Credit Loss.
- **Total Debt** (Borrowings) stands at □11,018.00 Cr on the BS, but consolidated figures including interest accruals reach □20,090.61 Cr, with □8,431.00 Cr reclassified as Short term Borrowings due to massive defaults by subsidiary STPL.
- **Net Worth** is deeply negative at -□4,533.00 Cr (Reserves of -□9,903 Cr), signaling technical insolvency and making the ROE % of -41.25% and ROCE % of 9.00% largely academic.
- **Cash from Operating Activity** (CFO) of □1,015.00 Cr was entirely consumed by Repayment of borrowings (-□795.00 Cr) and Interest paid (-□178.00 Cr), leaving only □31.00 Cr for Capex.
- **Fixed Assets** of □13,051.00 Cr and CWIP of □1,110.00 Cr face impairment risk; the auditor qualified the □1,211.82 Cr investment in STPL due to "significant uncertainties" over the "going concern" assumption.
- **Other Assets** include □196.43 Cr in "Advances for Goods & Services" (a 54% YoY increase), suggesting a buildup of cash in the supply chain to secure fuel, while Other liability items ballooned to □10,604.00 Cr due to □9,072.83 Cr in accrued interest.
- **Other Expenses** spiked to □186.77 Cr, partly due to SECL terminating the Fuel Supply Agreement and encashing □21.25 Cr in bank guarantees, indicating vendor stress.
- The dominant financial theme is one of **"Technical Insolvency and Debt Trap,"** where stagnant Revenue and positive CFO are dwarfed by unsustainable Finance Costs and a Balance Sheet encumbered by disputed Trade Receivables and defaulted Total Debt.

3.3 Contingent liabilities & commitments

- **Litigation/Claims:** The company has recorded ₹**2,143.69 Cr** in claims against MSEDCL related to "Change in Law." While the Supreme Court dismissed MSEDCL's appeal, final realization depends on the verification of "conservative parameters."
- **Guarantees:** South Eastern Coalfields Limited (SECL) terminated the Fuel Supply Agreement and encashed ₹**21.25 Cr** in bank guarantees during the year.
- **Subsidiary Defaults:** The subsidiary STPL (Sinnar plant) is in default of ₹**11,700.31 Cr** in principal and interest, currently under Corporate Insolvency Resolution Process (CIRP) (stayed by NCLAT).
- **Capital Commitments:** While not explicitly totaled, the ₹**1,110.00 Cr** in CWIP represents a significant stuck capital commitment with uncertain returns.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □1,870 Cr loss vs □1,015 Cr CFO due to non-cash interest.	—	Finance costs of □2,512 Cr are accrued but largely unpaid, creating a massive divergence between P&L and cash.
2	Receivables & channel-stuffing signal	Revenue ↓ — collection risk; receivables are 77% of revenue with 71% classified as disputed.	—	Note 24: □1,770 Cr of receivables are disputed; □999 Cr are aged >3 years with zero credit loss allowance.
3	Revenue timing (unbilled/claims)	Revenue ↑↓ — estimation risk; revenue includes "Change in Law" claims based on management's best estimates.	—	Note 1: Revenue recognition relies on interim regulatory orders and estimates, subject to material future adjustments by MERC/APTEL.
4	Revenue from related parties %	Neutral — concentration risk; 100% of operational revenue is from a single external customer (MSEDCL).	—	Segment reporting confirms 100% dependency on one external customer, though not a related party.
5	Inventory vs revenue growth	Profit ↓ — liquidity drain; inventory remains flat at □136 Cr despite a slight revenue decline.	—	Fuel is the dominant cost (69%); inventory levels are minimal relative to the scale of operations and receivables.
6	Inventory valuation method change	Neutral — no change in policy; inventory valued at lower of cost or net realizable value.	—	Standard Ind AS 2 application for fuel and stores valuation.
7	Exceptional items in operating profit	Profit ↑ — non-recurring impact; prior year had □438 Cr exceptional loss, making FY23 look better.	—	FY22 exceptional items related to impairment; FY23 lacks these, improving relative PBT.
8	Depreciation rate vs useful life	Profit ↑ — non-cash buffer; depreciation decreased slightly despite a marginal increase in gross block.	—	Note 57: Phase I assets carried at book value despite lack of operational PPA for Sinnar plant.
9	Provision reversals boosting PAT	Profit ↑ — aggressive accounting; zero allowance for credit loss on □1,770 Cr disputed receivables.	—	Note 24: Management justifies zero provisioning because the debtor is a Government Undertaking (MSEDCL).
10	Tax rate consistency	Neutral — minimal tax impact; company is in a deep loss position with negative equity.	—	Massive accumulated losses (□9,903 Cr) preclude significant current tax liabilities.
11	CWIP age and stalling projects	Profit ↓ — impairment risk; □1,110 Cr in CWIP remains on books despite subsidiary insolvency.	—	Note 57: Auditor qualified opinion on recoverability of investments/assets in STPL due to CIRP proceedings.
12	Deferred tax asset adequacy	Neutral — no major DTA; company is not recognizing DTA due to lack of virtual certainty.	—	Financial stress and technical insolvency make DTA recognition inappropriate under Ind AS 12.
13	RPT quantum and trend	Profit ↓ — credit risk; 100% of loans (□281 Cr) are to related parties with no repayment schedule.	—	Note 7: Loans are primarily to STPL (in CIRP); □122.58 Cr already provided as credit impaired.
14	Dividend paid vs FCF adequacy	Neutral — no dividends; cash flow is entirely diverted to debt servicing and operations.	—	Negative equity of □4,532 Cr and massive interest defaults (□5,581 Cr in STPL) prohibit dividends.
15	Auditor Confirmation Discrepancy	Profit ↓ — liability under-reporting; lender confirmations for STPL are higher than book balances.	—	Auditor noted lender-confirmed interest is higher than recorded in books for the subsidiary.
16	Going Concern Assumption		—	

#	Check	Impact	Status	Notes detail
		Neutral — high-stakes judgment; management treats STPL as going concern despite ₹11.8k Cr loss.		Auditor unable to obtain evidence to support going concern for STPL; management relies on NCLAT stay.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Qualified Opinion. The auditor is unable to obtain sufficient evidence to support the "going concern" assumption for the subsidiary STPL and the carrying value of **₹1,211.82 Cr** investment and ₹31.34 Cr in ICDs. * **KAM 1: Recoverability of MSEDCL Dues:** Auditor highlighted **₹2,143.69 Cr** in "Change in Law" and Late Payment Surcharge (LPS) claims. Realization depends on final regulatory verification following a Supreme Court order. * **KAM 2: Litigation and Contingent Liabilities:** Significant subjectivity in applying Ind AS 37 for provisioning given the regulated nature of the industry. * **Emphasis of Matter:** Discrepancy between lender confirmations and book balances for STPL, with lender-confirmed interest being **₹286.53 Cr** higher than recorded. * **Going Concern:** STPL has accumulated losses of **₹11,803.88 Cr** and current liabilities exceeding current assets by ₹16,432.11 Cr.

B. Related Party Transactions

Party	Relationship	Nature	Amount (₹ Cr)	Concern
Sinnar Thermal Power Ltd (STPL)	Subsidiary	Investment (Net)	1,211.82 Cr	***Qualified by auditor; subsidiary is in CIRP***
Sinnar Thermal Power Ltd (STPL)	Subsidiary	Loans/ICDs	31.34 Cr	***Recoverability uncertain due to insolvency***
Subsidiaries (Gross)	Subsidiaries	Loans Provided	281.34 Cr	***100% of loans are to related parties; no repayment schedule***

- **% of Revenue:** 47.79% (Investment + Loans / Revenue) → **critical flag**
- **% of CFO:** 150.19% (Investment + Loans / CFO) → **critical flag**
- **Red Flags:** **₹122.58 Cr** already provided as credit-impaired for loans to subsidiaries.

C. Shareholding * **Promoters:** 44.06% (Unchanged YoY) * **FIIs:** 0.14% * **DIIs:** 0.04% * **Public:** 55.76% * **Note:** Technical insolvency often implies promoter holdings are encumbered to lenders, though not explicitly disclosed in the provided tables.

D. Board Composition + KMP Compensation * **Total Directors:** 13 | **Independent %:** 38.46% | **Women Directors:** 2. * **Chairman Remuneration:** Rajiv Rattan's pay is **51.14x** the median employee salary. * **Pay vs Performance:** CFO and CS salaries grew by **14.04%** and 17.57% respectively, while Operating Profit (EBITDA) declined by 8.09%. * **Family/KMP:** Remuneration of **₹1.25 Cr** proposed for Himanshu Mathur (WTD) despite financial stress.

F. Capital Allocation & Capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Interest Payments	2,512.00 Cr	2,342.00 Cr	247.49%	—
Repayment of Borrowings	795.00 Cr	735.00 Cr	78.33%	—
Capex (Fixed Assets)	31.00 Cr	15.00 Cr	3.05%	—

- **CAPEX Analytical Notes:**
  - CFO (□**1,015 Cr**) covers the modest □31 Cr capex, but this surplus is entirely consumed by interest payments.
  - **Phase II CWIP was impaired in the prior year, and Phase I assets (□7,685.67 Cr) are at risk due to the lack of an operational PPA for the Sinnar plant.**
  - Revenue is flat (**-0.87%**) despite capex doubling YoY, indicating no growth translation.

H. Risks * **Customer Concentration:** 100% of revenue (□**3,231.16 Cr**) from MSEDCL. Impact: Absolute dependency on one state discom's payment discipline. (High) * **Technical Insolvency:** Consolidated Equity is **negative □4,532.93 Cr**. Impact: Risk of total loss for equity holders. (High) * **Subsidiary Insolvency:** STPL is in CIRP with □**11,700.31 Cr** default. Impact: Potential loss of □7,685.67 Cr in assets. (High) * **Fuel Supply Litigation:** SECL terminated FSA and encashed □**21.25 Cr** in guarantees. Impact: Threatens fuel security for Sinnar. (High) * **Receivable Quality:** 71% of receivables (□**1,770.12 Cr**) are "Disputed." Impact: High risk of asset overstatement. (High)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	2	→	100% Revenue from MSEDCL; Sinnar plant non-operational	High customer concentration and a massive non-performing asset base.
Financial health	1	→	D/E -2.43x; Interest Coverage 0.29x; Net Worth -□4,533 Cr	Technically insolvent; interest obligations far exceed operating cash flow.
Earnings quality	1	→	71% Receivables Disputed; Zero Credit Loss Allowance	Aggressive revenue recognition and lack of provisioning for aged, disputed dues.
Management & governance	2	→	Qualified Audit Opinion; 51x Chairman Pay/Median; RPT Flags	Significant auditor concerns regarding subsidiary valuation and RPT credit risk.
Capital allocation & earnings visibility	1	→	Interest = 247% of CFO; Sinnar in CIRP	Cash is trapped in debt servicing; growth visibility is tied to a distressed asset.

Business positives (for this company this year) * **Operational Excellence:** Achieved highest-ever PLF of **77.18%** at the Amravati plant. * **Debt Refinancing:** Secured □**1,114 Cr** refinancing from Kotak Mahindra Bank, signaling a shift to mainstream lenders. * **Legal Victory:** Recovered □**613.01 Cr** from MSEDCL following a favorable Supreme Court judgment. * **Fuel Management:** Successfully increased domestic coal allocation by **20%** via RCR mode, reducing import dependency.

Business negatives / concerns (for this company this year) * **Technical Insolvency:** Consolidated Net Worth is **negative □4,532.93 Cr** with □9,903 Cr in accumulated losses. * **Debt Trap:** Annual interest of □**2,512 Cr** is 2.5x the Cash from Operations (□1,015 Cr). * **Receivable Risk: 71%** of trade receivables (□1,770.12 Cr) are disputed, with □999 Cr aged over 3 years. * **Subsidiary Distress:** Sinnar subsidiary is in CIRP with defaults totaling □**11,700.31 Cr**. * **Auditor Qualification:** Auditor unable to verify the carrying value of □**1,211.82 Cr**

investment in STPL. * **Vendor Stress:** SECL terminated the Fuel Supply Agreement and encashed □**21.25 Cr** in guarantees.

Overall scorecard summary RattanIndia Power is in a state of technical insolvency, characterized by a massive debt trap where interest obligations significantly outstrip operating cash flows. While the Amravati plant shows strong operational performance, the company's financial health is severely compromised by the distressed Sinnar subsidiary and a balance sheet dominated by disputed receivables. Governance is a major concern given the qualified audit opinion and aggressive accounting for regulatory claims, placing the business on a highly unstable trajectory dependent entirely on lender leniency and legal outcomes.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 5/10 — Governance Rating: 2

Part c: investor verdict

Thesis: A technically insolvent utility with one high-performing asset (Amravati) and one massive distressed asset (Sinnar) that acts as a terminal drain on the group's valuation. **Overall stance:** Avoid **Rationale:** The company cannot service its interest obligations from operations, and the balance sheet is inflated by disputed receivables and un-impaired distressed investments. **Re-evaluate when:** Interest Coverage Ratio > 1.5x and a formal PPA is signed for the Sinnar plant. **BULL CASE:** Successful operationalization of the 1,350 MW Sinnar plant with a long-term PPA, potentially doubling revenue. **BEAR CASE:** NCLAT lifts the stay on CIRP for STPL, leading to a total write-off of □7,685 Cr in assets and further equity erosion. **Key monitorable:** Trade Receivable Collection: □2,492 Cr → Watch for any material write-downs or reversals of "Change in Law" claims.