

# Power Sector: Rating bodies to assess loan quality of stressed projects

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Lenders to thermal power projects have decided to assign rating agencies to determine the “sustainable debt” levels of completed plants with existing power purchase agreements (PPAs) and coal supply arrangements.

Bankers, led by State Bank of India, had met earlier this week in Mumbai to decide the fate of 16 such projects. “Interest for the projects with appropriate sustainable loans would be put up for auction to gauge the industry’s interest for such projects,” a person privy to the developments of the meeting told FE on condition of anonymity.

Companies whose power projects would be rated by credit rating agencies include KSK Mahanadi, India Bulls, GMR, Avantha, Essar and Lanco, the person said. Nothing has yet been decided about assigning operations and maintenance (O&M) contracts of stressed power plants to NTPC.

An industry veteran, who did not wish to be identified, said NTPC O&M fees are costliest, about 25% higher than industry rates. However, the advantage of letting the power generation behemoth run the plants is that the company can use its heft to ensure timely payment from discoms and regular coal supply.

The government identified 34 power plants with 40,000 MW capacity with an outstanding debt of Rs 1.74 lakh crore as stressed assets in the power sector. However, the industry estimates that the size of the stressed portfolio is larger, with 51,800 MW of installed plants and 23,000 MW of under-construction projects.

The Reserve Bank of India recently said even a one-day default in debt servicing for accounts with exposure of more than `2,000 crore would warrant formulation and implementation of a resolution plan. If failed, within three months, the cases will have to go to the NCLT for insolvency and bankruptcy proceedings.

Experts have noted that the 180-day time frame to implement a resolution plan is ‘impractical’. The new [RBI](#) guidelines have also invalidated the erstwhile joint lenders’ forum and introduced the lenders’ forum, which warrants unanimous agreement of all lenders to ratify any resolution plan, making matters more time consuming.