

RATING RATIONALE

26 Feb 2020

India Power Corporation Ltd

Brickwork Ratings revises the rating for the Bank Loan Facilities aggregating ₹252.94 Crores and NCD Issue amounting to ₹32 Crores of India Power Corporation Ltd

Particulars

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb 2019)	Present
Fund Based	253.58	225.37	Long Term	BWR A <i>Rating under Watch with Developing Implications</i>	BWR A- <i>Stable Downgraded</i>
Non-Fund Based	87.54	27.57	Short Term	BWR A2+ <i>Rating under Watch with Developing Implications</i>	BWR A2 <i>Downgraded</i>
Total	341.12	252.94	INR Two Hundred Fifty Two Crores and Ninety Four Lakhs Only		

Instrument**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb 2019)	Present
NCD Issue	56	32	Long Term	BWR A <i>Rating under Watch with Developing Implications</i>	BWR A- <i>Stable Downgraded</i>
Total	56	32	INR Thirty Two Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Instrument and rated bank loan facilities are provided in Annexure-I and Annexure-II

Rating Action / Outlook

The rating assigned to the NCD Issue and Bank Loan Facilities of India Power Corporation Ltd have been revised with the Watch being resolved and Outlook made Stable.

The rating revision is on account of deterioration in the financial performance of the company both at standalone as well as consolidated level during 9M FY20 with significant repayment obligations falling due in FY21.

Further, the rating is constrained due to company's exposure to regulatory risk as power distribution is a regulated business with tariffs being determined by WBERC, impact of loss of Bodhgaya business on the consolidated revenue & profitability from where investments are yet to be recovered and



significant amount of receivables still pending with respect to liquidation of CCPS in Hiranmayee Energy Ltd which are critical to meet the debt obligations falling due in FY21.

The above mentioned constraints are partially offset by experienced management team, long standing track record of the company in the power sector, high operational efficiency of the distribution business, various measures adopted by the company to improve profitability and expected completion of the capex program in March 2020.

The outlook has been kept as Stable as no major change in the company's financial risk profile is likely to happen over the near term.

Key Rating Drivers

Credit Strengths:

Experienced Management Team & Demonstrated Track Record of the Company: IPCL is promoted by the Kolkata based Kanoria Foundation with extensive experience in the infrastructure sector. The company has been operational since 1919 and has a long standing track record in the power distribution business. The company is also involved in power generation in the thermal as well as wind and solar energy sectors.

High Operational Efficiency of the Distribution Business: Majority revenue of the company comes from the distribution business with a share of more than 80% in the total operating income in FY19. The company has been maintaining high operational efficiencies in the distribution business with AT&C Losses at less than 5% and collection efficiency above 99%. IPCL has also partly implemented SCADA system which has automated the entire load management process further optimising the transmission losses. The company is also in the process of replacing the conventional energy meters with smart meters.

Measures Adopted to Improve Profitability: In order to bring down the overall power purchase cost (presently at ~ Rs. 4/kWh), the company has entered into a short term power purchase agreement with Tata Power at Rs. 3.60/kWh which meets 50% of the company's power requirement. Further, LoI from SECI has also been received for supply of 100 MW power at a tariff of Rs. 2.86/kwh. IPCL has also received an LoI from Central Coalfields Ltd for tie-up of 53500 MT coal under SHAKTI. The agreement is likely to be finalized soon and the company expects lifting of coal to commence from March 2020. With coal linkage in place, the company's cost of power generation in its own thermal plant will come down which will further improve the profitability.

Completion of the Capex Program in March 2020: IPCL had undertaken a capex program to add 100 MVA load in its licensed area. The project achieved partial COD in Sep 2019 and the company added some consumers in its network however, the expansion project will become fully operational from March 2020 post which IPCL will be able to supply power to Eastern Railways at the Pandabeswar Traction Substation and to various prospective industrial customers in and around Dhasal and Ikhra area which comes within the company's licensed area. Accordingly, the company's revenue and profitability is expected to improve from FY21 onwards.

Credit Risks:

Deterioration in the Financial Performance & Loss of Bodhgaya Business: The company has sold its wind power assets with a combined capacity of 52 MW under slump sale. Accordingly, the revenue of the company has come down in 9M FY20 and the company is not likely to achieve its projected turnover for FY20. At the consolidated level also, due to cancellation of distribution franchisee license of IPC Bodhgaya Ltd, the revenue of the company has come down by 25% and Net Profit has come down by ~ 20% in FY19.

Partial Receipt of Receivables Pertaining to Liquidation of Stake in Hiranmayee Energy Ltd: IPCL had subscribed to Compulsorily Convertible Preference Shares amounting to Rs. 489.50 Crs of Hiranmayee Energy Ltd. These CCPS were liquidated by IPCL during FY18 and sold to Power Trust (an independent trust). Against the total amount of Rs. 489.50 Crs, the company has realized Rs. 289 Crs in FY19 and the balance ~ Rs. 200 Crs are expected to be received in FY21. Delay in realization of the said receivables has impacted the liquidity position of the company and receipt of the same in FY21 is critical to ensure servicing of repayment obligations falling due in FY21.

Analytical Approach And Applicable Rating Criteria

For arriving at the rating, BWR has analyzed both standalone and consolidated financial performance of the company. As IPCL is the only key operational company amongst the entities consolidated, rating is primarily based on the standalone performance of the company. List of entities consolidated is given in the annexures. BWR has applied its methodology as highlighted in the criteria mentioned below.

Rating Sensitivities

Positive: Completion of the capex program as estimated by March 2020 leading to improved revenue and profitability indicators will be considered positive for the rating.

Negative: Delay in realization of receivables pertaining to sale of stake in Hiranmayee Energy Ltd negatively impacting the debt servicing ability of the company will lead to further rating revision.

Liquidity Position: Stretched

The company reported cash & cash equivalents amounting to Rs. 12.61 Crs as on Sep 30, 2019 on a standalone basis. The company has sanctioned working capital limits amounting to Rs. 147 Crs with an average utilization of more than 80%. The company has significant repayment obligations due in FY21 (Rs. 101 Crs) post which the annual repayment obligations will come down considerably. The company's annual cash accruals are likely to be around ~ Rs. 45 Crs for FY21 which would be insufficient to meet the debt obligations. However, IPCL is expected to receive the balance ~ Rs. 200 Crs with respect to liquidation of CCPS in Hiranmayee Energy Ltd during FY21 and the said proceeds will be used to repay the debt. Post FY21, the annual repayment obligation of the company will come down to less than Rs. 20 Crs which can be easily met through the cash accruals. Additionally, various steps taken by the company to improve profitability will increase the cash generation as well leading to availability of adequate funds to meet debt obligations.



Company Profile

India Power Corporation Limited (IPCL) formerly known as DPSC Limited was incorporated in 1919 and is one of the oldest power utility companies in India. It is an ISO 9001:2015 entity and a NSE listed company. In 2010, Kanoria Foundation of Kolkata acquired DPSC through its investment company, India Power Corporation Ltd (erstwhile IPCL) from Andrew Yule & Co. Ltd. In 2013, erstwhile IPCL got merged into DPSC and subsequently the name of DPSC was changed to IPCL. The company has a power distribution license in Asansol, West Bengal over an area under management of 618 Sq. Km. In addition to this, the company also operates 12 MW of thermal power plant located at Dishergarh in Asansol and 43 MW of wind energy plants in Gujarat, Karnataka and Rajasthan. IPCL had undertaken an expansion project to add 100 MVA load in its license area which is expected to achieve COD in March 2020.

Key Financial Indicators: Standalone

Particulars	Units	FY18 (A)	FY19 (A)	9M FY20 (LR)
Revenue from Operations	Rs. Crs	497.15	542.63	373.15
EBITDA	Rs. Crs	105.47	93.05	53.01
PAT	Rs. Crs	21.34	18.70	14.54
Operating Margin	%	21.21	17.15	14.21
Net Profit Margin	%	4.29	3.45	3.90
Total Debt	Rs. Crs	645.06	338.00	-
Tangible Net Worth	Rs. Crs	1139.68	1161.71	-
Total Debt/TNW	Times	0.57	0.29	-

Financial Indicators: Consolidated

Particulars	Units	FY18 (A)	FY19 (A)	9M FY20 (LR)
Revenue from Operations	Rs. Crs	752.09	563.23	373.15
EBITDA	Rs. Crs	126.35	92.96	52.21
PAT	Rs. Crs	20.09	16.23	10.74
Operating Margin	%	16.80	16.51	13.99
Net Profit Margin	%	4.32	5.05	2.88
Total Debt	Rs. Crs	3843.13	467.85	-
Tangible Net Worth	Rs. Crs	5165.75	1157.80	-
Total Debt/TNW	Times	0.74	0.40	-

Note: BWR has applied its methodology while calculating the key indicators.

Key Covenants Of The Instrument Rated: NA

Non-cooperation With Previous Rating Agency If Any: NA

Rating History

Instrument	Current Rating			Rating History			
	Tenure	Amount (₹ Crs)	Rating	2019	2018	2017	2016
Fund Based							
CC	Long Term	145.43	BWR A-	BWR A/Rating under Watch with Developing Implications	NA	NA	NA
TL		79.94					
Non-Fund Based							
LC/BG	Short Term	27.57	BWR A2	BWR A2+/ Rating under Watch with Developing Implications	NA	NA	NA
Total		252.94	INR Two Hundred Fifty Two Crores and Ninety Four Lakhs				
NCD Issue							
NCD	Long Term	32	BWR A-	BWR A/Rating under Watch with Developing Implications	No Rating Change	BWR AA-/Stable	BWR AA-/Stable
Total		32	INR Thirty Two Crores Only				

Complexity Levels Of The Instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference To Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Infrastructure Sector](#)

Analytical Contacts	Investor and Media Relations
<p>Aakriti Sharma Assistant Manager - Ratings Board: +91 11 2341 2232 Ext: 111 aakriti.s@brickworkratings.com</p> <p>Vipula Sharma Director- Ratings Board: +91 80 4040 9940 vipula.s@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

**India Power Corporation Ltd
Annexure I**

Details of NCD Issue

Instrument	Issue Date	Amount (Rs. Crs)	Coupon	Maturity Date	ISIN	Rating
NCD-I	03-Nov-2010	20	10.75%	03-Nov-2020	INE360C07054	BWR A- Stable
NCD-II	19-Sep-2012	4	12%	19-Sep-2020	INE360C07088	
		4		19-Sep-2021	INE360C07096	
		4		19-Sep-2022	INE360C07104	

Annexure II

Details of Bank Facilities Rated

Bank wise Details - Rs. Crs				
Name of Bank	CC	TL O/S	NFB	Total
IDBI Bank	25.00	14.44	5.00	44.44
South Indian Bank	55.00	47.06	21.00	123.06
RBL Bank	40.00	13.12	-	53.12
Axis Bank	25.43	-	1.57	27.00
Corporation Bank	-	5.32	-	5.32
Total	145.43	79.94	27.57	252.94



Annexure III

List of Entities Consolidated

Name of the Company	%age of Consolidation
India Power Corporation (Bodhgaya) Ltd	100%
Meenakshi Energy Ltd	2.44%
IPCL Pte. Ltd	100%
India Uniper Power Services Pvt Ltd	50%

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.