

Press Release

Brickwork Ratings assigns “BWR A+” for DPSC Ltd’s proposed secured Non Convertible Debenture (NCD) Issue of INR 300 Crore (₹ Three Hundred Crore only)

NCD Issue Rating: BWR A+

Outlook : Stable

Brickwork Ratings (BWR) has assigned **BWR A+ [Pronounced BWR A Plus]** for DPSC Ltd’s proposed Secured Bond issue of ₹ 300 crore, having a tenor of 10 years. ‘**BWR A+**’ stands for an instrument that is considered to offer **ADEQUATE** credit quality in terms of timely servicing of principal and interest obligations.

The rating has factored, inter alia, the competency and the long history of the company, the assured revenue model from the regulated nature of Power business, the satisfactory technical parameters of the power plants and the strong credentials of the Promoters. The rating is however constrained by Large Project implementation risk, long gestation period for the new projects, raw materials risk, balance sheet risk arising from an impending sudden growth of assets and customer concentration risk.

BWR has essentially relied upon the information/ clarification provided by the issuer, Term sheet outlining the structure of the deal, audited financial results of the company as of FY 2010.

DPSC Ltd was incorporated in 1919 as Dishergarh Power Supply Company Limited as a captive unit to Bengal Coal Company Ltd. & also to cater to the power requirements of the Railways, industries and townships in Asansol – Raniganj- Barakar coal belt. DPSC is currently engaged in the business of generating and distributing electric energy. It has two power generating plants, with a total generating capacity of 42.2 Mega Watts (MW) both of which are located in Burdwan, West Bengal. DPSC Ltd was acquired by SREI Infrastructure Finance Pvt. Ltd. through its SPV, Orbis Power Venture Pvt. Ltd., and a group company, India Power Corporation Ltd. (IPCL). SREI holds 93% in DPSC Ltd. through Orbis and IPCL. SREI is one of the leading Infrastructure finance player in India with presence in Equipment Leasing, Project Finance etc.

The company plans to raise Rs 300 Cr by way of secured NCD with a tenor of 10 years. The proceeds will be used for - setting up of new generation and augmentation/upgradation of distribution facilities, Refinancing of existing debt, and for Working Capital and General

Corporate purposes. DPSC is setting up 500MW thermal plant at Dishergarh and 170MW thermal plant at Chinakuri.

The NCD is secured through a First Pari-passu charge on the immovable properties of the issuer located at various places in the state of west Bengal and/or; First Pari-passu charge on assets of the issuer present and/or future; and/or First Pari-passu charge over the land and building of the registered office of the company located at plot no. X-1, 2 & 3 Block EP, Sector V, Salt Lake, City Kolkata with the existing/future secured lenders such as to provide an Asset Cover ratio of 1.25 times of the total outstanding at all times.

DPSC reported sales of ₹410 cr in FY10 and sales of ₹208cr in H1 2010, mostly from the distribution business. The company expects to record 15% increase in sales in FY11 on YoY basis.

The company plans to engage reputed EPC vendors for commissioning the power plants. The timely completion of these projects remains one of the risk factors for this NCD. Additionally, DPSC will be exposed to Balance Sheet risk because of large levels of debt it plans to take for the implementation of these projects.

Going forward, the Company intends to expand its customer base as well as gather more revenue from power generation. The Company is also likely to benefit from the strength of SREI group in the infrastructure business.

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