



## RATING RATIONALE

22 Nov 2024

### INDIA POWER CORPORATION LIMITED

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities aggregating Rs. 99.26 Crs. of India Power Corporation Limited**

#### Particulars:

Facility**	Amount		Tenure	Ratings*	
	Previous	Present		Previous (31 Aug 2023)	Present
Fund Based	177.13	<b>93.62</b>	Long Term	BWR BBB- Rating Watch with Negative Implications Reaffirmation	<b>BWR BBB- Rating Watch with Negative Implications Reaffirmation</b>
Non-Fund Based	7.31	<b>5.64</b>	Short Term	BWR A3 Rating Watch with Negative Implications Reaffirmation	<b>BWR A3 Rating Watch with Negative Implications Reaffirmation</b>
<b>Total</b>	184.44	<b>99.26</b>	<b>Rupees Ninety Nine Crores and Twenty Six Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

\*\* Details of the instrument and rated bank loan facilities are provided in Annexure-I

#### RATING ACTION / OUTLOOK

The reaffirmation of bank loan ratings of India Power Corporation Limited (IPCL or the company) continues to reflect the experienced management with a long operational track record in the power distribution business and the varied consumer category mix primarily including Government establishments and industrial houses with the balance of domestic consumers in its licensed area. The ratings also draw comfort from the stable financial profile and satisfactory financial performance in FY24 and H1FY25 (unaudited) marked by low gearing and adequate liquidity, consistent operational parameters marked by low AT&C losses of ~4%, high collection efficiency and supply reliability. However, the ratings are constrained due to the moderate scale of operations in a competitive environment where the majority of the participants are public sector organisations, exposure to regulatory risk as power distribution is a regulated business with tariffs being determined by the West Bengal Electricity Regulatory Commission (WBERC) and susceptibility of margins arising from the power procured from the open market/ exchange. The ratings are further tempered by the ongoing litigations involving the company. BWR also takes note of the qualified opinion given by the statutory auditor in its FY24 Independent Auditor's Report.



The ratings were downgraded in July 2022 and were placed on credit watch with negative implications following the announcement made by SREI Infrastructure Finance Ltd that the Administrator of SREI Equipment Finance Ltd (SEFL) received an initial report from the transaction auditor, BDO India LLP (BDO), indicating that there were certain transactions of fraudulent nature, as per Section 66 of the Code. Basis the investigation and observations of BDO, the Administrator had filed an application in respect of disbursements made to certain entities, referred to as the Power Trust group of entities, before the Kolkata Bench of the National Company Law Tribunal (NCLT) under Section 60(5) and Section 66 of the Code on 10 June 2022. The application was filed against 14 respondents, including India Power Corporation Limited and certain other entities as reported by BDO. As per the report, the concerned transactions occurred from FY2020 to FY2021. Pertaining to the application filed against 14 respondents, including India Power Corporation Limited before NCLT, the company has filed their responses. The matter is under consideration before NCLT, Kolkata Bench and no final decision has been made. However, BWR notes that, as per the company, there are no claims against it although its name is mentioned in the list of parties to alleged fraudulent transactions. The ratings continue to be under watch with negative implications as the matter is sub-judice and the status quo is maintained. BWR shall monitor the developments in this regard and shall take appropriate rating action including resolution of the rating watch as and when it has greater clarity on these aspects.

## KEY RATING DRIVERS

### Credit Strengths:-

- **Experienced management team and demonstrated track record:**

IPCL has been operational since 1919 with a long-standing track record in the power distribution business. The Company supplies at various voltage levels, including 132kV, 33kV, 11kV and 440V in its licence area of 798 square kilometres in the Asansol-Raniganj region of West Bengal to varied industries and utilities, both government and private sector. It is also involved in power generation in the thermal, as well as wind and solar energy sectors. The company has an experienced management team with knowledge & expertise in varied industries and sectors.

- **High operational efficiency of distribution business:**

The company's core revenue comes from the power distribution business in the Asansol region. The connected load increased from 258 MVA in FY22 to 271 MVA in FY24 with the addition of 1,156 new consumers in FY24. It sold 917.43 MU of power in FY24 compared to 910.96 million units in FY23. Furthermore, the company has maintained high operational efficiencies in the distribution business, with AT&C losses at ~4% and a collection efficiency of ~98% over the last few years. The company reported AT&C losses at ~4.10% (PY: ~5.62%) and a collection efficiency of ~98% (PY: ~97%) in FY24. A high proportion of industrial customers (~95%) in its overall customer base also helps the company maintain low AT&C loss and high collection efficiency. IPCL has implemented the Supervisory Control and Data Acquisition (SCADA) system, which has automated the entire load management process, further optimising transmission losses. The company has also installed advanced metering infrastructure (AMI) systems for nearly all consumers,



with the usage of prepaid meters for all its LT customers. Additionally, BWR notes that the company's renewable energy (RE) mix in the overall power procurement pool increased to ~40% in FY24 as against ~26% in FY23 and is expected to be ~65% in FY25 resulting from energy procurement from long term RE PPA with Solar Energy Corporation of India Limited (SECI). The average power purchase cost of the company has declined from Rs. 5.50/unit in FY23 to Rs. 4.82/unit in FY24. This is primarily due to renewable power offtake from Solar Energy Corporation of India (SECI).

- **Stable financial risk profile:**

The company's total operating income (adjusting for regulatory income/expenses) marginally declined from Rs. 667.67 Crs. in FY23 to Rs. 642.92 Crs. in FY24. In FY24, the EBITDA and PAT were at Rs. 55.69 Crs. (FY23: Rs. 57.53 Crs.) and Rs. 15.09 Crs. (FY23: Rs. 13.61 Crs.), respectively. The total debt of the company declined from Rs. 279.85 Crs. on 31 Mar 2023 to Rs. 207.14 Crs. on 31 Mar 2024. Tangible net worth (TNW) increased from Rs. 589.01 Crs. to Rs. 603.50 Crs. over the same period. The gearing stood at 0.34 times on 31 Mar 2024 compared to 0.48 times on 31 Mar 2023. Debt coverage metrics remained average on 31 Mar 2024 given by ISCR of 1.71 times (PY: 1.52 times) and DSCR of 1.40 times (PY: 1.18 times). As per H1FY25 unaudited financials, the company's total operating income, EBITDA, and PAT were at Rs. 329.92 Crs., Rs. 23.84 Crs., and Rs. 7.95 Crs., respectively.

#### **Credit Risks:-**

- **Regulatory risks:**

Power distribution is a highly regulated business. The tariff is determined by the WBERC's tariff orders. At the end of the financial year, the 'Annual Performance Review' (APR) petition for fixed cost and Fuel and Power Purchase Cost Adjustment (FPPCA) for variable cost is submitted to WBERC by the company. Certain variable cost components are allowed to be recovered on actuals as 'monthly variable cost adjustment' (MVCA). Additionally, the tariff regulation prescribes various normative operational and financial parameters for the company. Any variation thereof may lead to disallowances. The company is also exposed to regulatory risk to the extent that accruals may be disallowed on assessment by the regulator. The company continuously monitors the regulatory pronouncements and decisions that directly impact its business activities and quantifies the associated risks to the extent possible. Nevertheless, the changes in regulation are likely to impact the business operations of the company and under recovery arising from the pending tariff orders by WBERC impact the company's margins. On 13 Mar 2024, WBERC has issued the tariff order for years 2020-21, 2021-22, and 2022-23. Tariff determined for year 2022-23 is applicable for current and ensuing financial years till the time a new tariff order is issued. Based on these orders, the company expects higher recoveries on both fixed and variable cost fronts.

- **Moderate scale and competition from incumbents:**

Due to open access regulations, the company faces demand uncertainty and the possibility of existing customers approaching its competitors for direct purchase of power. In its



licenced area, the company has a moderate scale of operations and predominantly competes with public sector utilities having a larger distribution network and scale. However, due to its efficient distribution and ~99% reliability, the company has been able to attract the majority of new customers under its distribution licence area. The company added over ~1,156 new customers in FY24 and ~327 new customers in Q1FY25 taking the total customer base to 10065.

- **Project execution risk and planned debt-funded capex:**

The company has received Letter of Award (LOA) for Solar Power Developer (SPD) for solar photovoltaic power generating stations of an aggregate capacity of 133 MW (AC) under Mukhyamantri Saur Krushi Vahini Yojana 2.0 in Maharashtra. The project is to construct solar power plants of 133 MW with an estimated investment of ~Rs. 500 Crs. on 26 identified sites in four districts of Maharashtra and operate, maintain, and supply power for 25 years under long-term PPA. The project is to be executed through newly incorporated subsidiary of IPCL namely Parmeshi Urja Limited. The company is also planning to undertake transmission capacity expansion in the 400 kV line category in the Asansol region at a capex of ~Rs. 200 Crs. for offtake of renewable energy of 100 MW under the PPA executed with Solar Energy Corporation of India (SECI). The timeframe of this capex is 18-24 months, and it will primarily be funded through debt. As per WBERC Regulation, the company shall be eligible for capital cost recovery of the proposed project through additional tariff. Nevertheless, the solar project and the transmission line project lead to project execution risks associated with such projects. Moreover, the debt component of the funding will lead to an increase in debt level with a subsequent increase in the debt servicing obligations.

- **Ongoing litigations:**

BWR continues to take note of the company's ongoing litigation with respect company's Corporate Guarantee in favour of lenders of Meenakshi Energy Limited (MEL). The company had acquired ~95% stake in Meenakshi Energy Limited (MEL) in FY17 and ~92.75% shareholding in MEL stood pledged to its lenders. Post MEL going into financial stress, the pledged shares were transferred to the account of the SBICAP Trustee. An application was filed by the SBI against MEL under section 7 in the NCLT, Hyderabad in FY22. NCLT did not consider that the transfer of the pledged shares constituted a sale and admitted MEL into CIRP in Nov'19. Subsequently, in Appeal, NCLAT held that SBICAP Trustee had become the beneficial owners of the pledged shares. However, NCLAT did not hold that as a consequence the loan of the lenders had been discharged. IPCL has filed an appeal before the Hon'ble Supreme Court of India on the question of law whether the debt stood discharged and the same is under consideration. The next hearing is on 06 Dec 2024. Post the initiation of the Corporate Insolvency Resolution Process (CIRP) in respect of MEL, it ceased to be a subsidiary of IPCL. NCLT, Hyderabad Bench vide its order dated 10 Aug 2023 has approved the Resolution Plan in respect of CIRP of MEL.

The company has a claim on account of the valuation of shares of MEL which was invoked by SBICAP Trustee on 02 May 2018 for which a suit has been filed before the Commercial



Court, Alipore. Pending the outcome of the said suit, the company is considering the value of receivables (Rs. 37.53 Crs.) from MEL as good.

IPCL had given a Corporate Guarantee of Rs. 2844.45 Crs. on 23 Sep 2016 in favour of lenders of MEL for the outstanding loan amount (~Rs. 2800 Crs. as on 31 Mar 2019) subject to WBERC approval. WBERC declined the approval vide their letter dated 10 Nov 2017, which was accordingly intimated to the lenders. Accordingly, the lenders of MEL were informed that the Corporate Guarantee given earlier was void. SBI, one of the lenders of MEL, filed an application before NCLT, Hyderabad against IPCL on 24 Aug 2021 in its capacity as a Corporate Guarantor of MEL u/s 7 read with Section 60(2) of The Insolvency and Bankruptcy Code (IBC), 2016 specifying Rs. 500.48 Crs. as the amount of default. The SBI's application was rejected by NCLT, Hyderabad on 30 Oct 2023. SBI filed an appeal against the NCLT order dated 30 Oct 2023 before the Hon'ble National Company Law Appellate Tribunal (NCLAT), Chennai. That appeal was also dismissed on 09 Jul 2024.

#### **ANALYTICAL APPROACH - Standalone**

To arrive at the rating, BWR has analysed the operational and financial profile of the company on a standalone basis keeping in view the insignificant revenue contribution from the other entities. FY24 consolidated audited financial statements of the company include the results of the following three subsidiaries and three joint ventures: IPCL Pte. Ltd., Parmeshi Energy Limited, MP Smart Grid Private Limited, and MP Smart Metering Private Limited (four subsidiaries); India Uniper Power Services Private Limited, Arka Energy B.V., Arkeni Solar sh.p.k (three joint ventures). Their aggregate contribution in the FY24 consolidated revenue was less than 4%.

#### **RATING SENSITIVITIES**

##### **Upward:**

- A substantial improvement in the company's revenue and profitability on a sustainable basis on account of sustained decline in the average power purchase cost and consistent addition of new customers.
- Settlement of ongoing litigations in the company's favour.

##### **Downward:**

- Substantial deterioration in the operational performance, a decline in the scale of operations and profitability of the company on a sustainable basis.
- Negative impact of ongoing litigations on the financial or business profile.
- Higher than expected debt-funded capex leading to strain on liquidity position.
- Any adverse ruling against the company in the ongoing legal matters impacting the business and financial risk profile of the company.
- The adverse impact of any change in the regulatory regime on the financial or business profile.



**LIQUIDITY POSITION - Adequate**

The company’s liquidity continues to remain adequate with operating profit and net cash accruals adequately covering the finance cost and the repayment obligations, and moderate current ratio and cash & cash equivalents as of 31 Mar 2024. In FY24, the company generated net cash accruals of Rs. 43.78 Crs. against repayment obligations of Rs. 25.49 Crs. In FY25, expected net cash accruals of ~Rs. 87 Crs. are expected to adequately cover the repayment obligations of ~Rs. 22 Crs. Cash & cash equivalents have increased from Rs. 24.51 Crs. on 31 Mar 2023 to Rs. 30.56 Crs. on 31 Mar 2024 and Rs. 37.23 Crs. on 30 Sep 2024. The current ratio is at a moderate level of ~1.39 times on 31 Mar 2024. The fund-based working capital utilisation in the past 6 months was ~35-40%, sparing the company with unused lines of credit to further support liquidity. The decline in the working capital limit is primarily on account of the decline in the power purchase cost on account of an increasing share of cheaper renewable energy in the company’s power purchase mix.

**ABOUT THE ENTITY**

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Distribution

India Power Corporation Limited (IPCL), formerly known as DPSC Ltd., was incorporated in 1919 and is one of the oldest power utility companies in India. It is an ISO 9001:2015 entity and an NSE and MSEI-listed company. In 2010, Kanoria Family of Kolkata acquired DPSC Ltd. and subsequently the company’s name was changed to IPCL. The company has a power distribution licence in Asansol, West Bengal, over an area under the management of 798 sq. km. In addition, the company operates a 12 MW thermal power plant located at Dishergarh in Asansol, a 2 MW Photo Voltaic solar power plant in Jamuria, West Bengal, and 24.80 MW wind energy plants in Gujarat.

Mr. Raghav Raj Kanoria is the Managing Director of the company.

**KEY FINANCIAL INDICATORS**

Key Financial Parameters	Unit	FY22 (A)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Revenue from Operations	Rs. Crs.	611.36	667.68	642.92	329.92
EBITDA	Rs. Crs.	60.81	57.53	55.69	23.87
PAT	Rs. Crs.	16.15	13.61	15.09	7.95
Tangible Net Worth	Rs. Crs.	946.63	589.01	603.50	611.45
Total Debt/TNW	Times	0.34	0.48	0.34	0.27
Current Ratio	Times	1.38	1.31	1.39	1.35



**Note:** Revenue from operations is post-adjusting for regulatory income/expenses. TNW is excluding the revaluation reserves. A = Audited. UA = Unaudited.

**KEY COVENANTS OF THE INSTRUMENT RATED:** The terms of sanction include standard covenants normally stipulated for such facilities.

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY:** Not Applicable

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]:**

Instrument/ Facility	Current Rating (Nov 2024)			Rating History					
	Tenure	Amount (Rs. in Cr)	Rating	2023		2022		2021	
				Date	Rating	Date	Rating	Date	Rating
Fund Based Facilities	Long Term	93.62	BWR BBB- Rating Watch with Negative Implications Reaffirmation	31 Aug 2023	BWR BBB- Rating Watch with Negative Implications	18 Apr 2022	BWR A-/Stable (Reaffirmation)	05 Mar 2021	BWR A-/Stable (Reaffirmation)
						12 Jul 2022	BWR BBB- Rating Watch with Negative Implications	NA	NA
						28 Dec 2022	BWR BBB- Rating Watch with Negative Implications	NA	NA
Non Fund Based Facility	Short Term	5.64	BWR A3 Rating Watch with Negative Implications Reaffirmation	31 Aug 2023	BWR A3 Rating Watch with Negative Implications Reaffirmation	18 Apr 2022	BWR A2	05 Mar 2021	BWR A2 (Reaffirmation)
						12 Jul 2022	BWR A3 Rating Watch with Negative Implications	NA	NA
						28 Dec 2022	BWR A3 Rating Watch with Negative Implications	NA	NA
NCD Instrument	Long Term	-	NA	NA	NA	18 Apr 2022	BWR A-/Stable (Reaffirmation)	05 Mar 2021	BWR A-/Stable (Reaffirmation)
						12 Jul 2022	BWR BBB- Rating Watch with Negative Implications	NA	NA
						28 Dec 2022	Withdrawal on full redemption	NA	NA
<b>Total</b>		<b>99.26</b>	<b>Rupees Ninety Nine Crores and Twenty Six Lakhs Only</b>						

**HYPERLINK/REFERENCE TO APPLICABLE CRITERIA**

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

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## INDIA POWER CORPORATION LIMITED

### ANNEXURE I: DETAILS OF BANK FACILITIES RATED

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Amount (Rs. Crs.)	Complexity of the Instrument*
1	IDBI Bank	Cash Credit	5.86	-	5.86	Simple
2		GECL 2.0	2.33	-	2.33	Simple
3	South Indian Bank	Cash Credit	6.50	-	6.50	Simple
4		Term Loan	11.31	-	11.31	Simple
5		Bank Guarantee/ Letter of Credit	-	5.64	5.64	Simple
6	RBL Bank	Cash Credit	40.00	-	40.00	Simple
7		GECL 2.0	10.85	-	10.85	Simple
8	Axis Bank	Cash Credit	9.00	-	9.00	Simple
9		GECL 2.0	1.93	-	1.93	Simple
10		Bank Guarantee (sub-limit of Cash Credit)	-	(0.02)	(0.02)	Simple
11	Union Bank of India	Term Loan	1.69	-	1.69	Simple
12	IREDA	Term Loan	4.15	-	4.15	Simple
<b>Total</b>		<b>Rupees Ninety Nine Crores and Twenty Six Lakhs Only</b>			<b>99.26</b>	

**Note:** Term loan and GECL 2.0 amounts outstanding as of 30 Sep 2024.

\*For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)



## ANNEXURE II - DETAILS OF RATED BONDS/NCDs

Instrument	Issue Date	Amount (Rs. Crs.)	Coupon Rate	Maturity Date	ISIN Particulars	Complexity of the Instrument*
Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total	Nil	Nil			

\*For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

## ANNEXURE-III List of Entities Consolidated

Name of Entity	% Ownership	Extent of consolidation	Rationale for consolidation
Nil	Nil	Nil	Nil

**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.

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