

## RATING RATIONALE

18 April 2022

### India Power Corporation Ltd

**Brickwork Ratings reaffirms the rating for the Bank Loan Facilities aggregating Rs. 219.51 Crores and NCD Issue amounting to Rs. 4.00 Crores of India Power Corporation Ltd**

#### Particulars

Facility**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar 2021)	Present
<b>Fund Based</b>	216.95	<b>212.20</b>	Long Term	BWR A-Stable	<b>BWR A-Stable Reaffirmation</b>
<b>Non-Fund Based</b>	22.59	<b>7.31</b>	Short Term	BWR A2	<b>BWR A2 Reaffirmation</b>
<b>Total</b>	239.54	<b>219.51</b>	<b>Rupees Two Hundred Nineteen Crores and Fifty One Lakhs Only</b>		

Instrument**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar 2021)	Present
<b>NCD Issue</b>	8.00	<b>4.00</b>	Long Term	BWR A-Stable	<b>BWR A-Stable</b>
<b>Total</b>	8.00	<b>4.00</b>	<b>Rupees Four Crores 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 and Annexure-II

#### Rating Action / Outlook

Brickwork Ratings (BWR) reaffirms the ratings assigned to the non-convertible debenture (NCD) issue and bank loan facilities of India Power Corporation Ltd (IPCL or the company).

The ratings reaffirmation takes into account the company's long-standing track record in the power distribution business, high operational efficiencies marked by low transmission & distribution (T&D) losses and high collection efficiency and consistent reduction in debt leading to improved financial risk profile.

The ratings, however, are constrained due to the company's exposure to regulatory risk as power distribution is a regulated business with tariffs being determined by WBERC.

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 and Demonstrated Track Record: IPCL is promoted by Kolkata-based Kanoria Family 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 Distribution Business: The company's core revenue comes from the power distribution business in the Asansol region. The company has been maintaining high operational efficiencies in the distribution business, with T&D losses at less than 4% and a collection efficiency of above 99% over the last few years. IPCL has also implemented the 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 the consumers, with the usage of prepaid meters for all its LT customers

Reduced External Long-Term Debt: IPCL had been consistently repaying its external long-term debt, and the same came down from Rs. 392.42 Crs in FY18 to Rs. 294.29 Crs in FY21. This has also led to a reduction in the company's financial cost, which is expected to help improve the profitability also at the net level.

### Credit Risks:-

**Regulatory Risks:** Due to open access regulations, it might face significant demand uncertainty and possibility of existing customers approaching its competitors for direct sale of power.

### Analytical Approach And Applicable Rating Criteria

To arrive at the rating, BWR has analysed the company on a standalone basis. While the consolidated financials have been noted, as IPCL is the only key operating entity in the group, the rating is based on the company's standalone performance.

BWR has applied its methodology as highlighted in the criteria mentioned below.

### Rating Sensitivities

**Upward:** Substantial improvement in the company's revenue and profitability on account of sustained decline in the average power purchase cost and consistent addition of new customers would be considered positive for the rating

**Downward:** Substantial deterioration in the company's revenue and profitability on account.

### Liquidity Position: Adequate

The company has already repaid a majority of its obligations to the lenders during FY22 and has also redeemed the NCDs of Rs. 4.00 Crs as per the repayment schedule. The company's external debt obligations are less than Rs. 20 Crs over the next few years as against sufficient cash accruals providing adequate comfort in terms of availability of 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 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 management of 618 sq. km. In addition, the company operates a 12 MW thermal power plant located at Dishergarh in Asansol and a 24.80 MW wind energy plant in Gujarat.

### Key Financial Indicators: Standalone

Particulars	Units	FY20 (A)	FY21 (A)	9M FY21
Revenue from Operations	Rs. Crs	481.11	500.03	403.50
EBITDA	Rs. Crs	51.84	83.15	18.00
PAT	Rs. Crs	16.69	26.66	5.96
Total Debt	Rs. Crs	355.38	294.29	-
Tangible Net Worth	Rs. Crs	1175.47	1199.22	-
Total Debt/TNW	Times	0.30	0.25	-

**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 for the past three years (including ratings withdrawn/suspended)

Instrument	Current Rating			Rating History		
	Tenure	Amount (Rs. Crs)	Rating	2021	2020	2019
CC	Long Term	113.18	BWR A-/Stable	BWR A-/Stable	BWR A-/Stable	BWR A/Rating under Watch with Developing Implications
TL		99.02				
<b>Non-Fund Based</b>						
LC/BG	Short Term	7.31	BWR A2	BWR A2	BWR A2	BWR A2+/Rating under Watch with Developing Implications
<b>Total</b>		<b>219.51</b>	<b>Rupees Two Hundred Nineteen Crores and Fifty One Lakhs Only</b>			
<b>NCD Issue</b>						
NCD	Long Term	4.00	BWR A-/Stable	BWR A-/Stable	BWR A-/Stable	BWR A/Rating under Watch with Developing Implications
<b>Total</b>		<b>4.00</b>	<b>Rupees Four Crores Only</b>			

**Complexity Levels Of The Instruments: Simple**

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

**Hyperlink/Reference To Applicable Criteria**

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

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**India Power Corporation Ltd  
Annexure I  
Details of NCD Issue**

Instrument	Issue Date	Amount (Rs. Crs)	Coupon	Maturity Date	ISIN	Rating
NCD	19-Sep-2012	4.00	12%	19-Sep-2022	INE360C07104	BWR A- <i>Stable</i>

**Annexure II  
Details of Bank Facilities Rated**

Lender	Particulars	Tenure	Amount (Rs. Crs)
IDBI	CC	Long Term	14.76
IDBI	TL	Long Term	13.76
South Indian Bank	CC	Long Term	43.00
South Indian Bank	TL	Long Term	36.17
South Indian Bank	NFB	Short Term	7.31
RBL	CC	Long Term	40.00



RBL	TL	Long Term	30.64
Axis Bank	CC	Long Term	15.42
Axis Bank	TL	Long Term	5.06
Union Bank of India	TL	Long Term	4.24
IREDA	TL	Long Term	9.15
	<b>Total</b>		<b>219.51</b>

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