



## Rating Rationale

28 Dec 2022

### India Power Corporation Limited

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities aggregating Rs. 196.16 Crores and withdraws the rating for the NCD amounting to Rs. 4.00 Crores of India Power Corporation Ltd.

#### Particulars:

Facility**	Amount		Tenure	Ratings*	
	Previous	Present		Previous (July 2022)	Present
Fund Based	212.20	<b>188.85</b>	Long Term	BWR BBB- Credit Watch with Negative Implications	<b>BWR BBB- Credit Watch with Negative Implications Reaffirmation</b>
Non-Fund Based	7.31	<b>7.31</b>	Short Term	BWR A3 Credit Watch with Negative Implications	<b>BWR A3 Credit Watch with Negative Implications Reaffirmation</b>
<b>Total</b>	219.51	<b>196.16</b>	<b>Rupees One Hundred and Ninety Six Crores and Sixteen Lakhs Only</b>		

Instruments**	Amount		Tenure	Ratings*	
	Previous	Present		Previous (July 2022)	Present
NCD	4.00	<b>0.00</b>	Long Term	BWR BBB- Credit Watch with Negative Implications	<b>Withdrawal</b>
<b>Total</b>	4.00	<b>0.00</b>	<b>Nil</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

**Note:** Term loan amount outstanding as of 30 Nov 2022.



### **Rating Action / Outlook**

Brickwork Ratings (BWR) has withdrawn the rating assigned to the Non Convertible Debentures on account of full and timely redemption and has reaffirmed the ratings assigned to the bank loan facilities of India Power Corporation Ltd (IPCL or “The Company”) at BWR BBB- (Credit Watch with Negative Implications) for the long-term facilities of Rs. 188.85 Crs and at BWR A3 (Credit Watch with Negative Implications) for the short-term facilities of Rs. 7.31 Crs. The withdrawal of the NCD instrument is in line with the BWR withdrawal policy.

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 BDO India LLP (BDO), indicating that there are certain transactions which are fraudulent in nature, as per Section 66 of the Code. Basis the investigation and observations of BDO, the Administrator has 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 June 10, 2022. The application has been 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 during FY2020 to FY2021. With respect to the application filed against 14 respondents, including India Power Corporation Limited before NCLT, the company has filed their responses in June, August, September and November 2022. The matter was scheduled for hearing in December 2022 and the next hearing is scheduled on 08th February 2023.

The ratings have been continued under watch with negative implications as the matter is subjudice and there is a status quo on the said matter. BWR will keep a track of developments in this regard and shall review the rating as when further information is available in this regard and greater clarity emerges.

The rating draws strength from 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, satisfactory performance in H1FY23 and a stable financial risk profile.

The ratings are constrained due to the company's exposure to regulatory risk as power distribution is a regulated business with tariffs being determined by WBERC and on account of the ongoing litigations.

### **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. 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 having knowledge & expertise into 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 company has been maintaining high operational efficiencies in the distribution business, with T&D losses at ~3% and a collection efficiency of above 98% over the last few years. IPCL has also implemented the SCADA system, which has automated the entire load management process, further optimizing 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. The company has been adding customers due to its high operational efficiencies and based on the same, it expects consistent improvement in its topline going forward.

### **Stable Capital Structure and operating performance:**

The overall capital structure of the company has remained stable and the company had been consistently repaying its external long-term debt leading to a reduction in interest and finance cost during FY22. The company has also repaid its NCD in full before the due date. The overall gearing stood at 0.34x as of 31 Mar 2022 (31 Mar 2021: 0.25x) The total debt of the company stood at Rs. 323.06 Crs as of 31 Mar 2022 (Rs. 294.29 Crs as of 31 Mar 2021). The company has witnessed an increase of ~12% in the TOI during FY22 on a standalone basis and has recorded a revenue of Rs. 301.99 Crs during H1FY23. The revenue and profitability has increased for the regulated operation in H1FY23 vis-a-vis H1FY22. The PAT has, however, declined in FY22 to Rs. 16.15 Crs from Rs. 26.66 Crs in FY21 on account of increase in power prices. The company has registered a PAT of Rs. 6.82 Crs which is on the lower side on account of high cost of coal and increase in cost of energy purchased.

### **Credit Risks:-**

#### **Regulatory Risks:**

Due to open access regulations, the company might face significant demand uncertainty and possibility of existing customers approaching its competitors for direct sale of power. There has, however, been an increasing trend in the number of consumers and corresponding power demand over the years.

### **Ongoing Litigations:**

IPCL has ongoing litigation pending for hearing. The company had acquired ~ 95% stake in MEL and the entire shareholding in Meenakshi Energy Limited (MEL) stood pledged to its lenders/bankers. 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 and NCLT did not consider that the transfer of the pledged shares constituted a sale. 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 in NCLAT on question of law whether the debt stood discharged and the same is pending final hearing. Post the initiation of the CIRP in respect of MEL, it ceased to be a subsidiary of IPCL The company had also given corporate guarantee in favor of the lenders of MEL for a loan amounting to Rs. 2,800 Crs subject to WBERC approval. WBERC had declined



the approval and accordingly, the lenders of MEL were informed that the Corporate Guarantee given earlier is void. The matter is pending for final hearing. Also, the company has an ongoing litigation with respect to the application filed by the Administrator of SEFL which is pending before the NCLT.

### **Analytical Approach And Applicable Rating Criteria**

To arrive at the rating, BWR has analyzed 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:** A 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 decline in profitability and any negative impact of the ongoing litigations would be considered negative for the rating.

### **Liquidity Position: Adequate**

The company has redeemed the o/s NCDs of Rs. 4.00 Crs as per the repayment schedule in September 2022. The company is expected to generate sufficient cash accruals of around Rs. 50 crs each in FY23 and FY24 to service the maturing debt obligations of ~Rs. 30 Crs in FY23 and ~Rs. 25 Crs in FY24. The company has cash balance of around Rs. 20 Crs as on 30 September 2022. The average working capital limit utilization has been 60-70% for the six months ending October 2022.

### **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 license in Asansol, West Bengal, over an area under management of 771 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**

Key Financial Parameters	Unit	FY21 (A)	FY22 (A)	H1FY23 (UA)
Revenue from Operations	Rs. Crs	500.03	561.57	301.99
EBITDA	Rs. Crs	83.15	11.01	-15.17
PAT	Rs. Crs	26.66	16.15	6.82
Total Debt	Rs. Crs	289.33	323.73	295.68
Tangible Net Worth	Rs. Crs	1199.22	946.63	1353.03
Total Debt/TNW	Times	0.24	0.34	0.22

**Note 1:** BWR has applied its methodology while calculating the key indicators.

**Note 2:** The aforesaid EBITDA figure excludes regulatory income of Rs. 44.61 crores in H1FY23 (Rs. 49.80 Crs in FY22, and regulatory expense of Rs. 13.49 Crs in FY21) which is classified as non-operating income (expense).

**Key Covenants Of The Instrument Rated:** Standard covenants

**Non-cooperation With Previous Rating Agency If Any:**

CARE Ratings vide its press release dated 09 Aug 2022 has continued the rating of the company under the Issuer Not Cooperating category.

**Rating History for the last three years (Including ratings withdrawn/suspended):**

Instrument	Current Rating			Rating History			
	Tenure	Amount	Rating	2022	05 Mar 2021	26 Mar 2020	04 Feb 2019
<b>Fund Based</b>							
CC	Long Term	109.15	BWR BBB-Credit Watch with Negative Implications Reaffirmation	<b>12 July 2022</b>	BWR A-/Stable	BWR A-/Stable Downgraded	BWR A/Rating under Watch with Developing Implications
TL		79.70		<b>18 April 2022</b> BWR A-/Stable Reaffirmation			
<b>Non-Fund Based</b>							

BG	Short Term	7.31	BWR A3 Credit Watch with Negative Implications  Reaffirmation	<b>12 July 2022</b>  BWR A3 Credit Watch with Negative Implications  <b>18 April 2022</b>  BWR A2 Reaffirmation	BWR A2	BWR A2 Downgraded	BWR A2+/Rating under Watch with Developing Implications
<b>Total</b>		<b>196.16</b>	<b>Rupees One Hundred and Ninety Six Crores and Sixteen Lakhs Only</b>				
<b>NCD</b>							
NCD	Long Term	0.00	Withdrawal	<b>12 July 2022</b>  BWR BBB- Credit Watch with Negative Implications  <b>18 April 2022</b>  BWR A-/Stable Reaffirmation	BWR A-/Stable	BWR A-/Stable Downgraded	BWR A/Rating under Watch with Developing Implications
<b>Total</b>		<b>0.00</b>	<b>Nil</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](#)
- [BWR Withdrawal Policy](#)

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### **India Power Corporation Limited**

#### **Annexure I Details of Bank Facilities Rated**

Lender	Particulars	Tenure	Amount (Rs. Crs)
IDBI	CC	Long Term	9.15
IDBI	TL	Long Term	9.40
South India Bank	CC	Long Term	43.00
South India Bank	TL	Long Term	29.40
South India Bank	BG	Short Term	7.31
RBL	CC	Long Term	40.00
RBL	TL	Long Term	24.90
Axis Bank	CC	Long Term	17.00
Axis Bank	TL	Long Term	4.26
Union Bank of India	TL	Long Term	3.59
IREDA	TL	Long Term	8.15
<b>Total</b>			<b>196.16</b>

#### **Annexure II Details of Instrument**

Instrument	Issue Date	Amount (Rs. Crs)	Coupon	Maturity Date	ISIN	Rating
NCD	19-Sep-2012	4.00	12%	19-Sep-2022	INE360C07104	Rating Withdrawn on full redemption



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