

**India Power Corporation Ltd**

**Brickwork Ratings reaffirms the rating for the Bank Loan Facilities aggregating ₹ 239.54 Crores and NCD Issue amounting to ₹ 8 Crores of India Power Corporation Ltd**

**Particulars**

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb 2020)	Present
Fund Based	225.37	216.95	Long Term	BWR A- <i>Stable</i>	BWR A- <i>Stable</i>
Non-Fund Based	27.57	22.59	Short Term	BWR A2	BWR A2
<b>Total</b>	<b>252.94</b>	<b>239.54</b>	<b>INR Two Hundred Thirty Nine Crores and Fifty Four Lakhs Only</b>		

Instrument**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb 2020)	Present
NCD Issue	32	8	Long Term	BWR A- <i>Stable</i>	BWR A- <i>Stable</i>
<b>Total</b>	<b>32</b>	<b>8</b>	<b>INR Eight 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, reduction in the average power purchase cost (APPC) on account of various measures taken by the management 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 and significant amounts of receivables still pending with respect to the liquidation of investments in Hiranmayee Energy Ltd.

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. BWR has noted that WBERC had denied

IPCL's request to provide a corporate guarantee for the debt of Meenakshi Energy Ltd (MEL) and accordingly, the guarantee became void. Additionally, full claims of the lenders of MEL have been admitted by the resolution professional as part of the insolvency proceedings, and thus, a separate claim on IPCL (as a guarantor) cannot be filed. Accordingly, there is a remote possibility that any liability would arise on IPCL on account of the same in future.

## 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 5% and a collection efficiency of above 99% over the last few years. While the collection efficiency declined to 95.34% during 10M FY21 on account of the covid-19 impact on collections during Q1 FY21, the same has recovered subsequently and is expected to reach pre-covid levels in FY22. IPCL has also partly 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

Reduction in APPC leading to Better Profitability: IPCL has been making conscious efforts to bring down its average power purchase cost over the last two years. The company has entered multiple short/medium-term arrangements to procure low-cost power, including through renewable energy sources, which has helped reduce the cost and improve the operational profitability of the company. With these measures, IPCL has been able to bring down its APPC from ~ Rs. 4/kWh in FY20 to Rs. 3.69/kWh at present, which has helped improve the EBITDA margin to ~ 16% during 9M FY21 from 14.91% in FY20.

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. 104.21 Crs in FY20. Furthermore, the long-term debt has come down to ~ Rs. 78 Crs at present, leading to a substantial reduction in the company's annual debt obligations as well. 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. The company also has interest-free unsecured loans amounting to Rs. 69.83 Crs as on 31 March 2020.

### Credit Risks:

Partial Receipt of Receivables Pertaining to Liquidation of Stake in Hiranmayee Energy Ltd: IPCL had investments amounting to Rs. 490.46 Crs of Hiranmayee Energy Ltd which were liquidated by IPCL during FY18 and sold to Power Trust (an independent trust). Against the total amount of Rs. 490.46 Crs, the company realised Rs. 290 Crs in FY19, and the

balance ~ Rs. 200 Crs are yet to come. The remaining funds were expected to come in FY21 however, the realisation got postponed. With HEL's plant resuming operations, IPCL expects the balance dues to also be cleared in FY22 by Power Trust.

### 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

**Positive:** 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

**Negative:** Delay in the realisation of receivables pertaining to sale of stake in Hiranmayee Energy Ltd beyond FY22 would be considered negative for the rating.

### Liquidity Position: Adequate

The company has already repaid the majority of its obligations to lenders during FY21, and a relatively small amount of Rs. 3.48 Crs remains to be paid, for which the company is expected to generate adequate cash accruals in Q4 FY21. The repayment of unsecured loans from promoters has been postponed, and these are proposed to be paid off with the realisation of balance ~ Rs. 200 Crs to be received from Power Trust. Other than this, the company's external debt obligations are less than Rs. 20 Crs per annum over the next few years, as against the expected cash accruals of Rs. 45-50 Crs, providing adequate comfort in terms of the 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 license 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	FY19 (A)	FY20 (A)	9M FY21 (LR)
Revenue from Operations	Rs. Crs	542.63	504.48	350.48
EBITDA	Rs. Crs	93.05	75.20	55.87
PAT	Rs. Crs	18.70	16.69	23.43
Operating Margin	%	17.15	14.91	15.94
Net Profit Margin	%	3.45	3.31	6.68
Total Debt	Rs. Crs	338.00	355.38	-
Tangible Net Worth	Rs. Crs	1161.71	1175.47	-
Total Debt/TNW	Times	0.29	0.30	-

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		
Fund Based	Tenure	Amount (₹ Crs)	Rating	2020	2019	2018
CC	Long Term	143.18	BWR A-/Stable	BWR A-/Stable	BWR A/Rating under Watch with Developing Implications	NA
TL		81.79				
<b>Non-Fund Based</b>						
LC/BG	Short Term	22.59	BWR A2	BWR A2	BWR A2+/Rating under Watch with Developing Implications	NA
<b>Total</b>		<b>239.54</b>	<b>INR Two Hundred Thirty Nine Crores and Fifty Four Lakhs</b>			
<b>NCD Issue</b>						
NCD	Long Term	8	BWR A-/Stable	BWR A-/Stable	BWR A/Rating under Watch with Developing Implications	Rating Not Reviewed
<b>Total</b>		<b>8</b>	<b>INR Eight Crores Only</b>			

**Complexity Levels Of The Instruments**

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-II	19-Sep-2012	4	12%	19-Sep-2021	INE360C0709 6	BWR A- Stable
		4		19-Sep-2022	INE360C0710 4	

**Annexure II**  
**Details of Bank Facilities Rated**

Particulars	Tenure	Amount (Rs. Crs)
CC	Long Term	143.18
TL+FITL	Long Term	81.79
NFB	Short Term	22.59
<b>Total</b>		<b>239.54</b>

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