



ATSL/CO/18-19/9059

February 05, 2019

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra- Kurla Complex,
Bandra (East),
Mumbai – 400051

Dear Sir / Madam,

SCRIP SYMBOL – DPSC LTD

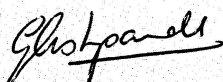
Re.: Debenture Trustee for various Listed, Secured, Redeemable Non-Convertible Debentures issued by India Power Corporation Limited ("the Company")

We write in our capacity of Debenture Trustee for Secured Non-Convertible Debentures issued by the Company and refer to SEBI Circular No. MIRSD/DPS III/Cir – 11/07 dated August 06, 2007, necessitating the Debenture Trustee to intimate any revision in credit rating of the Bonds.

In this connection, we would like to inform that Brickwork Ratings (BWR), has revised the Rating from **BWR AA- (Pronounced as BWR Double A Minus) (Outlook: Stable)** to **BWR A (Pronounced as BWR A) (Ratings under watch with developing implications)**, in relation to the Non-Convertible Debentures issued by the Company vide. their press release dated February 04, 2019 (copy enclosed).

Request you to kindly take the aforesaid on record and acknowledge the same.

Thanking you,
For **Axis Trustee Services Limited**


Gauri Deshpande
Senior Manager



Encl.: As Above

CC.: India Power Corporation Limited
Plot No. X1 – 2&3, Block – EP,
Sector – V, Salt Lake City,
Kolkata - 700091

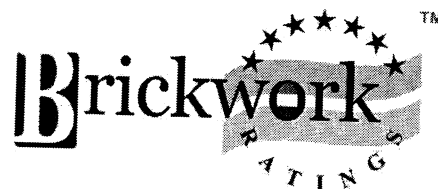
AXIS TRUSTEE SERVICES LTD.

(A wholly owned subsidiary of Axis Bank)

Corporate Identity Number (CIN): U74999MH2008PLC182264

REGISTERED OFFICE: Axis House, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400 025.

CORPORATE OFFICE: Axis Trustee Services Limited | The Ruby | 2nd Floor | SW | 29 Senapati Bapat Marg | Dadar West | Mumbai- 400 028
Tel. No.: 022 6230 0451 • Website: www.axistrustee.com



Rating Rationale

India Power Corporation Ltd.

4 Feb 2019

Brickwork Ratings assigns/downgrades the following ratings for the Bank Loan Facilities of ₹ 341.12 Crs and outstanding NCD issues of Rs 56 Crs of India Power Corporation Ltd. (Hereafter referred to as "IPCL" or "Company")

Particulars

Facility	Amount (Rs in Crs)	Tenure	Rating*
Fund based	253.58	Long Term	BWR A (Pronounced as BWR A) Rating under watch with developing implications
Non Fund Based	87.54	Short Term	BWR A2+ (Pronounced as BWR A Two Plus) Rating under watch with developing implications
Total	341.12	INR Three Hundred Forty One Crores and Twelve Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Brickwork Ratings also downgrades the ratings of the following outstanding NCD issues:

Instrument	Previous Amount (Rs in Crs)	Present Amount (Rs in Crs)	ISIN Particulars	Maturity Date	Previous Rating	Present Rating
NCD	60	40	INE360C07047 - ₹ 20 Crs INE360C07054 - ₹ 20 Crs	3 Nov 2019 3 Nov 2020	BWR AA- (Pronounced as BWR Double A Minus) (Outlook:Stable)	BWR A (Pronounced as BWR A) Ratings under watch with developing implications
	20	16	INE360C07070 - ₹ 4 Crs INE360C07088 - ₹ 4 Crs INE360C07096 - ₹ 4 Crs INE360C07104 - ₹ 4 Crs	19 Sep 2019 19 Sep 2020 19 Sep 2021 19 Sep 2022		
Total	80	56	INR Fifty Six Crores Only			

Rating under Credit Watch with Developing implications

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results upto FY18, unaudited financial results upto H1FY19 and projections upto FY20, publicly available information and information/clarifications provided by the company's management.



The rating assignment factors, interalia, experience & track record of promoters, continued managerial and financial support from group, its distribution capacity, operational efficiency marked by low Transmission & Distribution losses and consistently improving collection efficiency coupled with fully metered supply.

The rating revision is on account of deterioration in the financial profile marked by low cash accruals resulting in low debt protection metrics, loss of distribution franchisee of Its subsidiary "IPCL - Bodhgaya" in Bihar, high receivables from other entities, delay in commissioning 132 KV transmission line and exposure to regulatory risks.

BWR places the ratings under watch with developing implications pending claim under franchisee agreement of IPCL - Bodhgaya which is currently before courts of law and delay in receipt of receivables from sale of its investments in "Hiranmayee Energy Ltd" pending lenders approval. Further the rating is sensitive to achievability of projected turnover and profitability which will improve the debt serviceability.

Description of Key Rating Drivers

Credit Strengths:

- **Promoters Experience & Group Support :** IPCL is promoted by Kolkata based Kanoria foundation having various business interest mainly in infrastructure and equipment lending. IPCL was incorporated in 1919 in the name of DPSC Ltd to supply power in its licensed area for industrial area in Asansol, West Bengal. It was taken over by the Kanoria foundation in 2010 as part of GOIs disinvestment Process.
- **Operational Efficiency:** IPCL has a license area of 618 sq. km with a connected load of ~250 MVA (11Kv - 14 Switching Stations, 33 Kv - 15 Substations and 220/132/33 Kv -1 Sub-station). The Company also has 232 transformers. Transmission and distribution loss of the Company is sub 3% and collection efficiency is more than 99% for FY18.
- **Distribution Capacity:** IPCL has increased its focus on augmenting its distribution capacity. Towards tariff determination, the regulator allows ROE on generation assets of 15.5% while on distribution assets it is 16.5%. The Company has successfully commissioned its 33kV substation at Dhasaldanga and has successfully commissioned 220/33 kV Substation at JK Nagar (West Bengal) along with associated transmission lines which has enabled the Company to procure power from open access at a much competitive price.

Credit Risks:

- **Deterioration in financial profile:** On a standalone basis, the Company's financial performance has deteriorated in FY18 when compared to FY17 even though IPCL's revenue from sale of power witnessed a marginal increase from Rs 442.63 Crs in FY17 to Rs 443.53 Crs in FY18.



However due to high power purchase cost, employee expenses coupled with high interest cost, company reported lower PAT of Rs 21.34 Crs for FY18 when compared to Rs 39.12 Crs in FY17. This resulted in lower cash accruals of Rs 38.14 Crs in FY18 against Current Portion of Long Term Debt (CPLTD) of Rs 51.09 Crs which led to deterioration of debt protection metrics. The Company has informed that the shortfall was met through availing short term loans from group companies.

The company has also informed that they have repaid Rs 100 Crs short term loan availed from Laxmi Vilas Bank in July 2018 and Rs 225 Crs availed from Axis bank in January 2019 along with scheduled repayment of term loans amounting to Rs 7.85 Crs and NCD redemption of Rs 20 Crs, which has reduced the total debt to Rs 349.33 Crs. This will result in reduction of interest cost in FY19 and onwards which will also improve the profitability of the company.

- **Investments in subsidiaries which are currently subjudice:** IPCL had issued corporate guarantees to the extent of Rs 2818 Crs in favour of its erstwhile subsidiary "Meenakshi Energy Ltd" which is setting up a coal based thermal power plant in Andhra Pradesh. WBERC, vide order dated November 9, 2017, had directed IPCL not to issue corporate guarantee to any funding agencies without its prior approval; which was then intimated to the lenders of MEL. However, on 2nd May 2018, the 95.07% equity stake of IPCL in MEL, which was fully pledged with SBICAP Trustee Company Limited (SBICAP) on behalf of the lenders, was invoked by the latter and the said shares have been thereafter transferred to SBICAP Trustee Company Ltd. IPCL has contested in the court of law and the matter is pending with Hon'ble XIV Additional Chief Judge cum Commercial court Hyderabad and is sub-judice.

IPCL-Bodhgaya (currently contributing ~30% of consolidated turnover), subsidiary of IPCL had entered into a distribution franchisee agreement for 15 years with South Bihar Power Distribution Company Ltd (SBPDCL) in Gaya town and adjoining areas. SBPDCL vide notice dated 04/07/2018 terminated the distribution franchisee, and the said matter is currently sub-judice.

- **High Receivables:** During FY18, IPCL had sold off its investments (Rs.306.8 crore) in Hiranmayee Energy Ltd (HEL; formerly known as India Power Corporation (Haldia) Ltd) and an amount of Rs.489.5 Crore is receivable as on March 31, 2018. Recovery of these dues are pending lenders approval and hence remains a key rating sensitivity. However on 15 & 16 January 2019, the company has received Rs 164.60 Crs and the outstanding receivables as on 17 Jan 2019 is Rs 324.90 Crs.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



About the Company

India Power Corporation Ltd (Erstwhile DPSC) was incorporated in 1919 as Dishergarh Power Supply Company Limited as a captive unit to Bengal Coal Company Ltd. & later also to cater to the power requirements of the Railways, industries and townships in Asansol – Raniganj- Barakar coal belt. Pursuant to the Scheme of Arrangement and Amalgamation sanctioned by the Calcutta High Court, vide its order dated April 17, 2013 and the approval of the Ministry of Corporate Affairs, the name of the Company was changed from DPSC limited to India Power Corporation Limited with effect from August 27, 2013.

The Company is primarily engaged in the business of generation, transmission and distribution of electricity. Being a utility company, majority revenue is from power supply in the command area (distribution license) of Asansol-Raniganj area spreading over 618 sqkm with 470 HT consumers and 2326 LT consumers. The present distribution connected load is around 250 MVA and on successful completion of high powered 220/33 kV substation and transmission line at JK Nagar within its license area which facilitates direct connectivity to the State/National Grid. Its aggregate generation capacity is 43.20 MW of wind assets which are in operation across Rajasthan, Gujarat and Karnataka and a 12 MW coal fired thermal power station at Dishergarh in Asansol, West Bengal.

Company Financial Performance

On a standalone basis, the Company's financial performance has deteriorated in FY18 when compared to FY17 even though IPCL's net revenue from sale of power witnessed a marginal increase from Rs 442.63 Crs in FY17 to Rs 443.53 Crs in FY18 mainly due to increase in the units sold for the regulated power business. However due to high power purchase cost, employee expenses coupled with high interest cost, company reported lower PAT of Rs 21.34 Crs for FY18 when compared to Rs 39.12 Crs in FY17. This resulted in lower cash accruals of Rs 38.14 Crs in FY18 against CPLTD of Rs 51.09 Crs which led to deterioration of debt protection metrics. IPCL has total debt of Rs 645 crs (Rs 588 in FY17) against tangible network of Rs 1140 Crs resulting in a comfortable gearing of 0.57x.

As on 30 Sep 2018, the company has reported a turnover of Rs 291.26 Crs (Rs 227.28 Crs in H1FY18) and PAT of Rs 8.47 Crs (Rs 9.80 Crs in H1FY18). Total debt as on 30 Sep 2018 stood at Rs 602.19 Crs against Tangible Network of Rs 1144.38 Crs resulting in a gearing of 0.53x. Post repayment of loans the total debt has reduced to Rs 349.33 Crs which will result in reduction of finance cost of the company and improve profitability.

Key Financial Indicators

Key Parameters	Units	2016	2017	2018
Result Type		Audited	Audited	Audited
Net Revenues	₹ Cr	562.38	442.63	446.70
EBITDA	₹ Cr	62.09	89.10	55.85
PAT	₹ Cr	32.35	39.12	21.34



Tangible Net worth	₹ Cr	1078.38	1118.93	1139.68
Total Debt/Tangible Net worth	Times	0.79	0.53	0.57
Current Ratio	Times	1.03	1.48	1.67

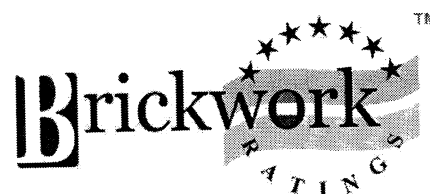
Rating History for the last three years

Instrument / Facility	Current Rating (2019)			Rating History			
	Type	Amount (₹ Crs)	Rating	2017	2016		2015
NCD	Long Term	40	BWR A Ratings under watch with developing implications	BWR AA- (Outlook:Stable)	BWR AA- (Outlook:Stable)		BWR AA- (Outlook:Stable)
		16					
BLR	Long Term	253.58	BWR A Ratings under watch with developing implications	-	-		-
BLR	Short Term	87.54	BWR A2+ Ratings under watch with developing implications	-	-		-
Total		397.12	₹ Three Hundred Ninety Seven Crores and Twelve Lakhs Only				

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.