



## Press Release

### Bharatpur Electricity Services Limited

May 9, 2024

#### Ratings

Instrument/ Facilities	Amount (INR crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	52.50	IVR BBB+/ Positive (IVR Triple B Plus with Positive outlook)	Reaffirmed with revision in outlook from 'Stable' to 'Positive'	Simple
Short Term Bank Facilities	45.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
<b>Total</b>	<b>97.50</b> <b>(Rupees Ninety- Seven Crore and Fifty Lakh only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the rating assigned to the bank facilities of Bharatpur Electricity Services Limited (BESL) continues to derive comfort from strong operational support of its parent company, CESC Ltd. (CESC), long track record of CESC in the power sector, BESL's belongingness to the reputed RP- Sanjiv Goenka group and highly experienced & qualified management team. The ratings are further underpinned by the exclusive long-term power distribution agreement with Jaipur Vidyut Vitran Nigam Ltd (JVVNL) for supply of power in Bharatpur city of Rajasthan, stable operating performance in FY23 & 9MFY24 and strong demand potential for power. Further, the ratings also positively factor in consistent reduction in Transmission & Distribution (T&D) and Aggregate Technical and Commercial (AT&C) losses due to several measures undertaken by BESL to improve operating efficiency. However, these rating strengths are tempered by prevalence of retail customers limiting the demand growth and high receivables.

The outlook has been revised from stable to positive on the expectation of sustained improvement in the operating performance of the entity.

#### Key Rating Sensitivities:

##### Upward factors

- Significant improvement in operating performance with improvement in cash accruals
- Improvement in capital structure and debt protection metrics on a sustained basis



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### **Downward Factors**

- Deterioration in operating performance impacting the liquidity and debt coverage indicators
- Deterioration in capital structure with moderation in overall gearing to over 2x.
- Weakening of support from parent company.

### **List of key rating driver with detailed description**

#### **Key rating strengths:**

- **Long track record of the parent company, CESC, in the power sector**

CESC is having a long track record of operation. It is a vertically integrated power utility engaged in the business of generation, transmission and distribution of electricity to the consumers in its licensed area covering Kolkata and Howrah in West Bengal.

- **Belonging to the reputed RP-Sanjiv Goenka group and strong parent support**

Kolkata based the RP-Sanjiv Goenka group is one of the leading industrial houses of the country with interest in power generation & distribution, coal, carbon black, retailing, entertainment and BPO business with CESC Ltd. being the flagship company. BESL is a wholly owned subsidiary of CESC, an established & well performing power utility based out of Kolkata. CESC has a strong financial risk profile with adequate liquidity. BESL, being a wholly owned subsidiary of CESC, is expected to receive continuous support from its parent. CESC has infused ~Rs.24 crore in BESL till FY23.

- **Highly experienced and qualified management team**

BESL is managed by highly qualified and experienced employee pool transferred from CESC having strong experience in their related fields. In terms of operation, BESL has lots of synergy with CESC.

- **Exclusive long term power distribution agreement**

JVVNL has a distribution license under the provisions of Electricity Act, 2003 to supply electricity in the Eastern part of Rajasthan. For distribution of power in its designated areas, JVVNL undertook competitive bidding process to select its distribution franchises. For Bharatpur area, JVVNL selected CESC Ltd from the bidding process. CESC designated, BESL, as a special purpose vehicle (SPV) in order to discharge its obligations as a distribution franchise. In this regard, the Distribution Franchise Agreement (DFA) was signed



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in June 2016 with a validity of 20 years. BESL has the exclusive right to distribute power in Bharatpur area of Rajasthan.

- **Stable operating performance**

In FY23, BESL's total operating income remained stable while profit margins witnessed improvement on account of reduction in T&D losses. Over the years, the company has been able to reduce T&D and AT&C losses due to several measures undertaken by company to improve the efficiency of the network and reduce thefts and unmetered sales. T&D loss has reduced from 12.79% in FY22 to 11.54% in FY23 and 10.24% in 9MFY24. In FY23, company's EBITDA increased to Rs.11.99 crore against Rs.9.65 crore in FY22. Debt coverage indicators marked by ICR stood at 2.76x in FY23 (improved from 2.41x in FY22). In 9MFY24, the company has already achieved revenue of ~Rs. 176 crore.

- **Strong demand potential for power**

The domestic power sector appears to have considerable growth potential, given the fact that the country is likely to be power deficient in many pockets particularly during the peak period due to mismatch between robust power demand and creation of supply facilities. Bharatpur has high growth potential driven by its locational advantage and tourist attractions. Further, Bharatpur has direct link to nearby major cities.

### **Key rating weaknesses**

- **Domestic customer driven consumption mix**

With a large urban/ semi urban profile of the license area, BESL has higher proportion of domestic customers in its consumer mix. Higher proportion of domestic customers limits the growth potential to an extent due to lower possibility of extensive growth in power consumption in near term.

- **High receivables**

BESL has more than six months receivable of ~Rs.25.3 crore as on December 31, 2023. BESL is operating with a billing efficiency of 89.76% and collection efficiency (non-govt.) of about 98.67% in 9MFY24.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

[Policy on default Recognition](#)

[Criteria on complexity](#)

[Criteria on Parent/Group Support](#)

**Liquidity position: Adequate**

The liquidity of the company is expected to remain adequate as the company does not have any long term debt repayment obligations. The liquidity of the company is also backed by demonstrated support from the parent, CESC Ltd having highly comfortable liquidity position with high cash balances and liquid investments.

**About the Company**

Bharatpur Electricity Services Limited (BESL - erstwhile Wigeon Commotrade Pvt Ltd), incorporated in May, 2012, is a wholly owned subsidiary of CESC Ltd (CESC) belonging to Kolkata-based RP-Sanjiv Goenka group. The RP - Sanjiv Goenka group is one of the leading industrial houses of the country with interest in power generation & distribution, coal, carbon black, retailing, entertainment and BPO business. JVVNL has a distribution license 5 under the provisions of Electricity Act, 2003 to supply electricity in the Eastern part of Rajasthan. JVVNL undertook competitive bidding process to select its distribution franchises. For Bharatpur area, JVVNL selected CESC Ltd from the bidding process. CESC designated, BESL, as a special purpose vehicle (SPV), in order to discharge its obligations as a distribution franchise. In this regard, the Distribution Franchise Agreement (DFA) was signed in June, 2016. BESL is engaged in electricity distribution operation in Bharatpur city from December 1, 2016 as a distribution franchisee of JVVNL. BESL is sourcing power from JVVNL as per the stated rates in DFA and selling the power to customers under its command area as per tariff order issued by RERC.

**Financials (Standalone):**

	(Rs. crore)	
For the year ended*/ as on	31-03-2022	31-03-2023
	Audited	Audited



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Total Operating Income	216.19	211.29
EBITDA	9.65	11.99
PAT	2.20	3.60
Total Debt	36.37	42.15
Tangible Net Worth	26.87	30.45
EBITDA Margin (%)	4.46	5.67
PAT Margin (%)	1.02	1.69
Overall Gearing Ratio (x)	1.35	1.38
Interest Coverage Ratio (x)	2.41	2.76

\*Classification as per Infomerics' Standard

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (Feb 10, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Nov 13, 2021)
1.	Bank Guarantee	Long Term	52.50	IVR BBB+/ Positive	-	IVR BBB+/ Stable	IVR BBB+/ Stable
2.	Overdraft	Short Term	45.00	IVR A2	-	IVR A2	IVR A2

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Bank Guarantee	-	-	-	52.50	IVR BBB+/ Positive
Overdraft	-	-	-	45.00	IVR A2
<b>Total</b>				<b>97.50</b>	

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Bharatpur-Electricity-may24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).