



## Press Release

### Bikaner Electricity Supply Limited

May 9, 2024

#### Ratings

Instrument/ Facilities	Amount (INR crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	155.00	IVR BBB+/ Positive (IVR Triple B plus with positive outlook)	Reaffirmed with revision in outlook from 'Stable' to 'Positive'	Simple
Long Term Bank Facilities- Term Loan	-	-	Withdrawn	-
Short Term Bank Facility	75.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
<b>Total</b>	<b>230.00</b> <b>(Rupees Two Hundred and Thirty Crore only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Bikaner Electricity Supply Ltd (BKESL) continues to derive comfort from strong operational support of its parent company, CESC Ltd. (CESC), long track record of CESC in the power sector, BKESL's belongingness to the reputed RP- Sanjiv Goenka group and presence of highly experienced & qualified management team. The ratings are further underpinned by the exclusive long term power distribution agreement with Jodhpur Vidyut Vitran Nigam Ltd (JDVVNL) for supply of power in Bikaner city of Rajasthan, stable operating performance in FY23 and 9MFY24 along with strong demand potential for power. Further, the ratings also positively factor in the reduction in Transmission & Distribution (T&D) and Aggregate Technical and Commercial (AT&C) losses due to several measures undertaken by BKESL 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.

The rating assigned to the term loan facility has been withdrawn based on the 'No Due Certificate' from the lender. The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.



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### 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

#### 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.

- **Belongingness 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. BKESL 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. BKESL, being a wholly owned subsidiary of CESC, is expected to receive continuous support from its parent. CESC has infused ~Rs.128 crore in BKESL till FY23.

- **Highly experienced and qualified management team**

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

- **Exclusive long term power distribution agreement**

JDVVNL 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,



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JDVVNL undertook competitive bidding process to select its distribution franchises. For Bikaner city area, JDVVNL selected CESC Ltd from the bidding process. CESC designated, BKESL, 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 March 2017 with a validity of 20 years. BKESL has the exclusive right to distribute power in Bikaner city of Rajasthan.

- **Stable operating performance**

In FY23, BKESL's total operating income has increased by ~10% on a y-o-y basis to Rs. 625.24 crore. The company started its operation in May, 2017 and reported losses till FY19 due to high level of T&D losses and other operational stabilization issues. However, under the guidance of CESC group, BKESL's operations turned profitable in FY20. 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 13.89% in FY22 to 13.21% in FY23 and 12.95% in 9MFY24. Debt coverage indicators marked by ICR stood at 2.78x in FY23 (3.29x in FY22). In 9MFY24, the company achieved revenue of ~Rs.526 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. The Bikaner city has high growth potential driven by its locational advantage and 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, BKESL 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**



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BKESL has more than six months receivable of about Rs. 48.17 crore as on December 31, 2023. BKESL is operating with a billing efficiency of 87.05% and collection efficiency (non-govt.) of about 98.16% in 9MFY24.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria Of Assigning Rating Outlook](#)

[Criteria on complexity](#)

[Policy of default recognition](#)

[Criteria On Parent/Group Support](#)

[Policy on withdrawal of ratings](#)

**Liquidity position: Adequate**

The liquidity of the company is expected to remain adequate marked by its adequate expected gross cash accruals to support its debt obligations in the near term, Further. 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**

Bikaner Electricity Supply Limited (BKESL - erstwhile Water Hyacinth Commosale Private Limited), incorporated in May 05, 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. JDVVNL has a distribution license under the provisions of Electricity Act, 2003 to supply electricity in the western and north-western part of Rajasthan. JDVVNL undertook competitive bidding process to select its distribution franchises. For Bikaner city area, JDVVNL selected CESC Ltd from the bidding process. CESC designated, BKESL, 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 March, 2017. BKESL is engaged in 5 electricity distribution operation in Bikaner city from May, 2017 as a distribution franchisee of



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JDVVNL. BKESL is sourcing power from JDVVNL 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
Total Operating Income	569.68	625.24
EBITDA	26.84	26.82
PAT	8.92	7.08
Total Debt	64.06	81.58
Tangible Net Worth	128.84	136.01
EBITDA Margin (%)	4.71	4.29
PAT Margin (%)	1.57	1.13
Overall Gearing Ratio (x)	0.50	0.60
Interest Coverage Ratio (x)	3.29	2.78

\*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.	Cash Credit	Long Term	25.00	IVR BBB+/ Positive	-	IVR BBB+/ Stable	-
2.	Bank Guarantee	Long Term	130.00	IVR BBB+/ Positive	-	IVR BBB+/ Stable	IVR BBB+/ Stable
3.	Term Loan	Long Term	-	Withdrawn	-	IVR BBB+/ Stable	IVR BBB+/ Stable
4.	Overdraft	Short Term	75.00	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 instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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

For more information visit [www.infomerics.com](http://www.infomerics.com).

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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
Cash Credit	-	-	-	25.00	IVR BBB+/ Positive
Bank Guarantee	-	-	-	130.00	IVR BBB+/ Positive
Overdraft	-	-	-	75.00	IVR A2
Term Loan	-	-	-	-	Withdrawn
<b>Total</b>				<b>230.00</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-Bikaner-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).