



## Press Release

### Kota Electricity Distribution Limited

May 9, 2024

#### Ratings

Instrument/ Facilities	Amount (INR crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	260.29 (reduced from Rs. 289.06 crore)	IVR BBB+/ Stable (IVR Triple B plus with stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities	30.00	IVR BBB+/ Stable (IVR Triple B plus with stable outlook)	Assigned	Simple
Short Term Bank Facilities	125.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
Short Term Bank Facilities	45.00	IVR A2 (IVR A Two)	Assigned	Simple
<b>Total</b>	<b>460.29</b> <b>(Rupees Four Hundred and Sixty Crore and Twenty-Nine Lakh only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Kota Electricity Distribution Limited (KEDL) continue to derive comfort from strong operational support of its parent company, CESC Ltd. (CESC), long track record of CESC in the power sector, KEDL'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 Kota city of Rajasthan, and strong demand potential for power in Kota. Further, the ratings also positively factor in reduction in Transmission & Distribution (T&D) and Aggregate Technical and Commercial (AT&C) losses due to several measures undertaken by KEDL to improve operating efficiency. However, these rating strengths are tempered by prevalence of retail customers limiting the demand growth and loss from operations with low debt coverage indicators along with high receivables.

#### Key Rating Sensitivities:

Upward factors



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- Significant improvement in operating performance, debt protection metrics and capital structure

### **Downward Factors**

- Deterioration in operating performance impacting the liquidity and debt coverage indicators on sustained basis.
- More than expected debt funded capex leading to deterioration in capital structure.
- Weakening of support from the parent company and/or moderation in the credit profile of the parent, CESC Limited.

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

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

- **Long track record of the parent company in 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. KEDL 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. KEDL, being a wholly owned subsidiary of CESC, is expected to receive continuous support from its parent. CESC has infused ~Rs. 425.83 crore in KEDL till FY23.

- **Highly experienced and qualified management team**

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



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

- **Strong demand potential for power in Kota**

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. Kota city has high growth potential driven by its locational advantage and direct link to nearby major cities.

### **Key rating weaknesses**

- **Loss from operations with low debt coverage parameters**

KEDL continued to incur operational loss in FY23, though the loss has reduced from Rs. 9.71 crore in FY22 to Rs. 3.70 crore. Further, in FY23 KEDL incurred net loss of Rs. 35.46 crore. Hence, the debt coverage parameters continued to remain weak. However, the company is getting funding support from CESC to fund the losses and the debt servicing requirements. Moreover, 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 19.18% in FY22 to 14.83% in FY23 and 14.63% in 9MFY24. In 9MFY24, the company has achieved revenue of ~Rs. 807 crore.

- **Prevalence of retail customers limiting the demand growth**

With a large urban/ semi urban profile of the license area, KEDL has higher proportion of retail customers in its consumer mix. Higher proportion of retail 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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KEDL has more than six months receivables of about Rs. 108.27 crore as on December 31, 2023. KEDL is operating with a billing efficiency of 85.37% and collection efficiency (non-government) of 99.05% in 9MFY24.

**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 backed by support from the parent, CESC Ltd having highly comfortable liquidity position with high cash balances and liquid investments.

### **About the Company**

Kota Electricity Distribution Limited (KEDL - erstwhile Sheesam Commercial Pvt Ltd), incorporated in May 03, 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 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 Kota city area, JVVNL selected CESC Ltd from the bidding process. CESC designated, KEDL, 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. KEDL is engaged in electricity distribution operation in Kota city from September 1, 2016 as a distribution franchisee of JVVNL. KEDL 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.



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### Financials (Standalone):

(Rs. crore)

For the year ended*/ as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	801.83	1011.02
EBITDA	-9.71	-3.70
PAT	-40.98	-35.46
Total Debt	209.09	181.93
Tangible Net Worth	84.66	81.34
EBITDA Margin (%)	-1.21	-0.37
PAT Margin (%)	-5.11	-3.50
Overall Gearing Ratio (x)	2.47	2.24
Interest Coverage Ratio (x)	-0.52	-0.18

\*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	Term Loan*	Long Term	35.29	IVR BBB+/ Stable	-	IVR BBB+/ Stable	IVR BBB+/ Stable
2	Term Loan*	Long Term	30.00	IVR BBB+/ Stable	-	-	-
3	Bank Guarantee	Long Term	225.00	IVR BBB+/ Stable	-	IVR BBB+/ Stable	IVR BBB+/ Stable
4	Overdraft	Short Term	125.00	IVR A2	-	IVR A2	IVR A2
5	Overdraft	Short Term	45.00	IVR A2	-	-	-

\* Outstanding as on Mar 31, 2024

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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
Term loan *	-	-	Feb 2027	35.29	IVR BBB+/ Stable
Term loan *	-	-	Mar 2029	30.00	IVR BBB+ Stable
Bank Guarantee	-	-	-	225.00	IVR BBB+/ Stable
Overdraft	-	-	-	170.00	IVR A2
<b>Total</b>				<b>460.29</b>	

*\*Outstanding as on Mar 31, 2024*

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

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

<https://www.infomerics.com/admin/prfiles/len-Kota-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).