



## Press Release

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### Bharatpur Electricity Services Limited

August 14, 2020

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Non-Fund Based Facilities-Bank Guarantee	52.50 (enhanced from 47.50)	IVR BBB+ /Stable (IVR Triple B plus with Stable Outlook)	Reaffirmed
Short Term Fund Based Facilities-Overdraft	40.00	IVR A2 (IVR A Two)	Reaffirmed
<b>Total</b>	<b>92.50</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The aforesaid ratings 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, insularity of margin from increase in power purchase price, improvement in operational performance in FY20 and strong demand potential for power. However, the rating strengths are tempered by prevalence of retail customers limiting the demand growth and high receivables.

#### Rating Sensitivities

##### **Upward Factors:**

- Significant improvement in operating performance, capital structure and credit profile of the parent, CESC Limited
- Significant improvement in operating performance of the company

##### **Downward Factors:**

- Deterioration in operating performance impacting the liquidity and debt coverage indicators



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- Deterioration in the capital structure
- Weakening of support from the parent company and/or moderation in the credit profile of the parent, CESC Limited

### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

- **Strong parent support**

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.20 crore in BESL till FY20.

- **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**

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. Other major companies of the group are Philips Carbon Black Ltd., CESC Infrastructure Ltd., Firstsource Solutions Ltd., Haldia Energy Ltd, Noida Power and Saregama India Ltd.

- **Highly experienced & 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



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

- **Insularity of margin from increase in power purchase price**

The power purchase price of the company is fixed as per the DFA for the next 20 from the date of the DFA. Any revision in the cost structure of JVVNL will not have any impact on the fixed purchase price for BESL. As per the agreement, power purchase cost per unit is proportionately linked to any revision in per unit power tariff revision by the Rajasthan Electricity Regulatory Commission and hence, it is a pass through. Therefore, the margin of BESL is insulated from fluctuation in power purchase price.

- **Improvement in operational performance in FY20**

The total operating income witnessed ~21% y-o-y growth in FY20 aided by higher net saleable power. During FY20, T&D loss came down significantly to 10.36% from 16.78% in FY19 and 19.39% in FY18, supported by several measures undertaken by company to improve the efficiency of the network and reduce thefts and unmetered sales. Subsequently, the company posted significant improvement in EBITDA to Rs.13.16 crore in FY20 as against Rs.6.40 crore in FY19. Debt coverage indicators marked by ICR also stood comfortable at 3.12x in FY20 (improved from 1.89x in FY19).

- **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**

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



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With a large urban/ semi urban profile of the license area, BESL 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**

BESL has more than six months receivable of about Rs.26 crore (~133% of its net worth of Rs.19.56 crore) as on March 31, 2020 indicating an elongated collection cycle, impacting liquidity. BESL is operating with a collection efficiency of about ~96% in FY20 with almost 100% metered supply in its command area and computerised billing procedure. The rise in receivable was mainly due to impact of lock down in the month of March, 2020.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity: 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**

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 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



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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):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	174.83	211.52
EBITDA	6.40	13.16
PAT	1.56	6.73
Total Debt	30.35	37.05
Tangible Net worth	12.84	19.56
EBITDA Margin (%)	3.66	6.22
PAT Margin (%)	0.89	3.18
Overall Gearing Ratio (x)	2.36	1.89

\*Classification as per Infomerics' standards.

**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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Bank Guarantee	Long Term	52.50	IVR BBB+/ Stable Outlook	IVR BBB+/ Stable Outlook (July 5, 2019)	-	IVR BBB+/ Stable Outlook (March 27, 2018)
2	Overdraft	Short Term	40.00	IVR A2	IVR A2 (July 5, 2019)	-	IVR A2 (March 27, 2018)



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**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).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Non-Fund Based Facilities- Bank Guarantee	-	-	-	52.50	IVR BBB+/ Stable Outlook
Short Term Fund Based Facilities- Overdraft	-	-	-	40.00	IVR A2