

CESC Limited

October 03, 2022

Ratings

| S. no | Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|-------|-------------------------------------|--|--|---------------|
| 1 | Long-term bank Facilities | 4,074.92 (Enhanced from 3,842.10) | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 2 | Short-term bank facilities | 750.00 | CARE A1+ (A One Plus) | Reaffirmed |
| | Total bank facilities | 4,824.92 (₹ Four thousand eight hundred twenty-four crore and ninety-two lakh only) | | |
| 3 | Non-convertible debentures | 300.00 | CARE AA; Stable (Double A; Outlook: Stable) | Assigned |
| 4 | Non-convertible debentures | 40.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 5 | Non-convertible debentures | 40.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 6 | Non-convertible debentures | 150.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 7 | Non-convertible debentures | 15.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 8 | Non-convertible debentures | 15.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 9 | Non-convertible debentures | 150.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 10 | Non-convertible debentures | 250.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 11 | Non-convertible debentures | 30.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 12 | Non-convertible debentures | 125.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 13 | Non-convertible debentures | 200.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 14 | Non-convertible debentures | 275.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 15 | Non-convertible debentures | 100.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| 16 | Non-convertible debentures | - | - | Withdrawn |
| 17 | Non-convertible debentures | - | - | Withdrawn |
| | Total long-term instruments | 1,690.00 (₹ One thousand six hundred ninety crore only) | | |
| 18 | Commercial paper | 300.00 | CARE A1+ (A One Plus) | Reaffirmed |
| 19 | Commercial paper (Carved out) * | 500.00 | CARE A1+ (A One Plus) | Reaffirmed |
| 20 | Commercial paper (Carved out) * | 800.00 | CARE A1+ (A One Plus) | Reaffirmed |
| | Total Short-term instruments | 1,600.00 (₹ One thousand six hundred crore only) | | |

Details of instruments/facilities in Annexure-1

*The aggregate outstanding amount of commercial paper and other working capital borrowings should be within the sanctioned working capital limits of the company

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed rationale & key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned the rating of CARE AA; Stable to the instrument bearing S. No. (3) and has reaffirmed the ratings assigned to the bank facilities and instruments of CESC Limited (CESC) bearing S. No. (1-2, 4-15 and 18-20). Furthermore, the rating for the instruments bearing S. No. 16 and 17 has been withdrawn with immediate effect since the company has repaid the same in full and there is nil outstanding against the same as on date.

The ratings continue to derive strength from its status as monopoly for distribution of power in licensed area of Kolkata and Greater Noida (through its JV - Noida Power Company Limited (NPCL)) and cost-plus nature of its business with assured return. The ratings also factor in fair operational diversity with strong integration of its generation and distribution business wherein more than 80% of the group's power supply to retail consumers is met through its own generating stations. Besides, favorable consumer mix across geographies for its distribution business with high operational efficiencies across segments as reflected in lower-than-approved transmission and distribution (T&D) losses for its distribution business leading to incentive income are other credit positives.

CARE Ratings also notes the healthy business profile of CESC's generating stations characterised by the presence of long term/medium term power purchase agreement (PPA) for 95% of its total capacity (which has increased since last review due to additional tie-up of 210MW net capacity at remunerative tariff under Dhariwal Infrastructure Limited (DIL, rated CARE BBB+; Stable/ CARE A3+), continued visibility in fuel supply due to the presence of long-term fuel supply agreement (FSA) and captive mine. The operational profile of these plants remained comfortable due to better-than-normative plant availability factor (PAF) leading to full recovery of their fixed charges in FY22 (refers to the period from April 01 to March 31) along with better volume and realisation on sales on merchant/short term mode.

The ratings also factor in the receipt of long pending tariff orders for FY19-FY20 and FY21-FY23 along with incremental true up completed for the years FY15 through FY18 by West Bengal Electricity Regulatory Commission (WBERC) during Q4FY22 (refers to the period from January 01 to March 31) and August 2022 with increase in the base tariff to ₹7.31 per unit. The ratings also takes cognisance of acknowledgement of part of regulatory assets submitted by CESC and allowance of incentive income of ₹166 crore for achieving lower-than-permissible T&D losses.

The aforementioned rating strengths are however tempered by accumulation of regulatory assets in CESC's books of accounts, various partial allowances made by the regulator as per the recent tariff order for Haldia Energy Limited (HEL, rated CARE AA-; Stable/ CARE A1+, operating a 600 MW thermal plant), CESC's elevated leverage and marginal coverage driven by sizable capex, dividend and overhead expenses. Bulky repayments in the medium term necessitating refinancing, funding support for its distribution franchisee business and under-recoveries arising from use of coal from its captive coal mine due to negative bid are other credit weaknesses.

Rating sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in profitability with the consolidated return on networth around 15% on a sustained basis.
- Improvement in consolidated overall gearing ratio below 0.6x and total debt to PBILDT of below 2.5x.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Material delay in receipt of tariff orders/ true up orders
- Deterioration in consolidated overall gearing ratio above 1.50x or total debt to PBILDT above 8x
- Weakening in liquidity profile with free cash balance dipping below ₹2,000 crore on consolidated basis
- Deterioration in operating parameters or significant tightening of normative parameters
- Significantly higher-than-envisaged level of support flowing to two distribution franchisees

Detailed description of the key rating drivers

Key rating strengths

Established group with presence across diverse business verticals: CESC is a part of RP-Sanjiv Goenka Group. The group has interests across diverse business segments such as power, infrastructure, carbon black, retail, education, BPO, and media & entertainment. CESC has a highly qualified and experienced employee pool having large experience in their related field. CESC's improvement in operational efficiency over the years can be attributed to its experienced management team.

Long track record: Incorporated in 1899, CESC is an integrated power utility engaged in the business of generation, transmission and distribution (T&D) of electricity to the consumers in its licensed area, covering Kolkata and Howrah.

Fair operational diversity, strong business integration with a large share of revenue from regulated business: The T&D business is spread across Kolkata, Greater Noida, Rajasthan and Chandigarh. Its 2.1 GW thermal capacity is located in West Bengal. Deep integration is evidenced from sourcing of more than 80% of the group's power supply to retail consumers through

its own generating sources. Over the years, revenue from regulated business has been around 90% while 78% of the thermal capacity have regulated tariff with fixed return on equity. This imparts cash flow stability.

Regulated monopolistic operation in distribution licensee businesses: CESC and NPCL (an approximate 73% JV of CESC) are the sole power distributing licensees for the Kolkata and Greater Noida region respectively with validity upto September 2038 and August 2023 respectively. The operations are on cost-plus tariff regime with opportunity to recover the cost incurred (subject to approval from the regulator), return on equity and generate additional income from incentive by posting better operating efficiencies.

Distribution licensee business have favorable consumer mix with strong operational performance: Major consumers of the Kolkata operation are based in the city with diversified consumer mix. Moreover, the Greater Noida operation has superior high tension (HT): low tension (LT) mix. Both the regions derive considerable collection through digital channel. The T&D loss for Kolkata Region is significantly lower than the WBERC norms leading to sizable incentive income on regular basis, and that for Greater Noida region and is in line with the Uttar Pradesh Electricity Regulatory Commission (UPERC) norms.

Improved operational performance of power generating business: The overall power generating business witnessed improvement characterised by additional power purchase agreement (PPA) tie-up in the medium term by DIL (operating a 600 MW plant), healthy realisation upon sale of power by DIL on short-term basis leading to debt prepayment during 5MFY23 (refers to the period from April 1 to August 31). Hence CARE Ratings Limited (CARE Ratings) expects, the requirement of financial support from the group to reduce going forward.

The plant availability and generation of HEL and Crescent Power Limited (CPL, rated CARE A-; Stable, operating 55 MW plants) continued to be strong in FY22. Both the plant availability as well as generation profile of CESC's standalone units continued to be steady during FY22.

The plants continued to remain insulated from fuel supply risk through the presence of FSA of 15.95 million tonne per annum with subsidiaries of Coal India Ltd and captive mine (Sarisatolli) operation.

Receipt of true up order till FY18, tariff orders for FY19-FY20 and FY21-FY23: In the past, while CESC was regular in filing for the tariff petitions, there were delays in receipt of tariff orders and true up orders from West Bengal Electricity Regulatory Commission (WBERC) (the regulator) which led to regulatory risk and accumulation of regulatory assets. However, on February 3, 2022 WBERC has released the tariff order for FY19-FY20 and tariff order for FY21-FY23 on August 1, 2022. As per the same, the regulator has allowed subsuming of monthly variable charge adjustment (MVCA) in base tariff leading to increase in base tariff by ₹0.29/unit to ₹7.31/unit. Subsequently, WBERC has released true up order for FY18 on August 1, 2022 in which it has acknowledged regulatory assets of ₹397 crore.

Key rating weaknesses

Accumulation of regulatory assets: The net accumulated regulatory assets for CESC (standalone) stood at ₹589 crore as on March 31, 2022. Due to higher power demand and escalated coal cost, net regulatory asset is projected to increase in FY23 and therefore timely realisation of the same is crucial. Moreover, many of the cost components of Aggregate Revenue Requirement for the control period of FY21-FY23 has been partially allowed by the regulator as per the recent tariff order for HEL. Extent of recognition of most of these items during actual true up is also to be seen.

Elevated leverage and marginal coverage metrics, marked by higher dividends: The overall gearing and TD/gross cash accrual (GCA) stood moderate at 1.40x as on March 31, 2022 (PY: 1.41x) and 8.90 times as on March 31, 2022 (PY: 7.43 times). The projected debt service coverage ratio (DSCR) is marginal on account of bulky repayments with sizable internal accrual commitments for capex. The GCA in the past was also impacted by higher overhead expenses. Dividend payment by the company has been high, especially during FY21 and FY22.

Profitability partially offset by negative bid in Sarisatolli captive coal mine

Of the total coal used by CESC in FY22 38% was sourced from its captive mine Sarisatolli. Although the group had won this mine in February 2015 at negative bid of ₹470/ton, under recovery in terms of fuel cost continue to offset the profitability of the company.

Funding support envisaged for distribution franchisee business: In the past, CESC on a standalone basis has extended support to weaker entities in its group to meet short-term liquidity mismatch/capex requirements. Although the credit profile of DIL has improved recently, support is envisaged for few of the loss-making distribution franchisees.

Liquidity: Adequate

The cash and cash equivalents of the company on consolidated basis stood at ₹2,448.77 crore as on August 31, 2022. The company has also articulated about its liquidity policy, whereby it plans to maintain free cash and cash equivalents of ₹2,000 crore on consolidated basis in the medium term, going forward. Furthermore, liquidity is supported by average fund-based working capital utilisation which stood moderate at 68% for the trailing 12 months ended July 2022. The GCA in FY23 along with unutilised fund-based working capital limits and available cash balance would be adequate to service the debt obligations of ₹1,889 crore. The company is dependent on refinancing part of its scheduled repayments. Notwithstanding, the company has maintained a successful track record of refinancing its existing debt at relatively competitive rates which provides comfort.

Environment, social, and governance (ESG) profile: CESC is expected to benefit from its leadership in green buildings and various certifications. Social risk is mitigated through initiatives around education, healthcare and sanitation.

Analytical approach: Consolidated. List of entities getting consolidated are as per Annexure 6

Applicable Criteria

[Definition of Default](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Infrastructure Sector Ratings](#)

[Power Distribution Companies](#)

[Power Generation Projects](#)

[Thermal Power](#)

About the Company

CESC, belongs to RP-Sanjiv Goenka group, which is a vertically-integrated power utility engaged in generation, transmission and distribution of electricity to the consumers in its licensed area, covering Kolkata and Howrah. As on June 30, 2022, the company has three thermal (coal-based) power stations with total generating capacity of 1,125 MW (operating capacity: 885 MW) serving 3.4 million consumers in its 567 sq km licensed area. The combined installed capacity (thermal) of the group is 2,365 MW with power plants operating under the subsidiaries in Haldia, WB (600 MW) under HEL, Chandrapura, Maharashtra (600 MW) under DIL and 40 MW in Asansol, WB under Crescent Power Ltd. The group also operates solar power plant of 15 MW in Tamil Nadu under CPL.

| Brief Financials (Rs. crore) | 31-03-2021 (A) | 31-03-2022 (A) | Q1FY23 (UA) |
|------------------------------|----------------|----------------|-------------|
| Total operating income | 11,759 | 12,668 | 4,146 |
| PBILDT | 3,405 | 3,047 | 694 |
| PAT | 1,363 | 1,404 | 297 |
| Overall gearing (times) | 1.41 | 1.40 | NA |
| Interest coverage (times) | 2.54 | 2.70 | 2.62 |

A: Audited; UA: Unaudited; NA: Not available

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|-----------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Cash Credit | | - | - | - | 1600.00 | CARE AA; Stable |
| Term Loan-Long Term | | - | - | June 2023 | 2.50 | CARE AA; Stable |
| Non-fund-based - ST-BG/LC | | - | - | - | 750.00 | CARE A1+ |
| Fund-based - LT-Term Loan | | - | - | March 2033 | 2472.42 | CARE AA; Stable |

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|--|----------------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Debentures-Non Convertible Debentures | INE478A07234 | 2020-03-05 | 7.59% | February 02, 2024 | 40.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | INE486A07226 | 2020-03-05 | 7.59% | February 10, 2023 | 40.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | Not applicable | - | - | - | 0.00 | Withdrawn |
| Debentures-Non Convertible Debentures | INE486A07242 | 2020-05-21 | 7.75% | May 21, 2025 | 150.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | Not applicable | - | - | - | 0.00 | Withdrawn |
| Debentures-Non Convertible Debentures | INE478A07234 | 2020-03-27 | 7.66% | February 10, 2023 | 15.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | INE486A07226 | 2020-03-27 | 7.66% | February 02, 2024 | 15.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | INE486A07242 | 2020-05-21 | 7.75% | May 21, 2025 | 150.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | INE486A07259 | 2020-10-13 | 7.12% | October 13, 2024 | 250.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | Proposed | - | - | - | 30.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | INE486A07275 | 2020-12-21 | 5.90% | September 30, 2026 | 125.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | INE486A07267 | 2020-12-28 | 5.85% | December 7, 2023 | 200.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | INE486A07275 | 2020-12-21 | 5.90% | September 30, 2026 | 275.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | INE486A07283 | 24/12/2021 | 5.40 | December 24, 2024 | 100.00 | CARE AA; Stable |
| Debentures-Non Convertible Debentures | Proposed | NA | NA | NA | 300.00 | CARE AA; Stable |
| Commercial Paper-Commercial (Carved out) | Not placed | NA | NA | NA | 800.00 | CARE A1+ |
| Commercial Paper-Commercial (Standalone) | INE486A14EW2 | 11/08/2022 | 5.80 | November 10, 2022 | 300.00 | CARE A1+ |
| Commercial Paper-Commercial (Carved out) | Not placed | NA | NA | NA | 500.00 | CARE A1+ |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-----------------|---|---|--|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Commercial Paper-Commercial (Carved out) | ST | 500.00 | CARE A1+ | - | 1)CARE A1+ (04-Oct-21) | 1)CARE A1+ (05-Oct-20) | 1)CARE A1+ (05-Jul-19) 2)CARE A1+ (09-Apr-19) |
| 2 | Fund-based Cash Credit - LT- | LT | 1600.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (23-Dec-20) 2)CARE AA; Stable (05-Oct-20) | 1)CARE AA; Stable (03-Oct-19) 2)CARE AA; Stable (05-Jul-19) 3)CARE AA; Stable (09-Apr-19) |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-----------------|---|---|--|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 3 | Term Loan-Long Term | LT | 2.50 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (23-Dec-20) 2)CARE AA; Stable (05-Oct-20) | 1)CARE AA; Stable (03-Oct-19) 2)CARE AA; Stable (05-Jul-19) 3)CARE AA; Stable (09-Apr-19) |
| 4 | Non-fund-based ST-BG/LC | ST | 750.00 | CARE A1+ | - | 1)CARE A1+ (04-Oct-21) | 1)CARE A1+ (23-Dec-20) 2)CARE A1+ (05-Oct-20) | 1)CARE A1+ (03-Oct-19) 2)CARE A1+ (05-Jul-19) 3)CARE A1+ (09-Apr-19) |
| 5 | Fund-based LT-Term Loan | LT | 2472.42 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (23-Dec-20) 2)CARE AA; Stable (05-Oct-20) | 1)CARE AA; Stable (03-Oct-19) 2)CARE AA; Stable (05-Jul-19) 3)CARE AA; Stable (09-Apr-19) |
| 6 | Commercial Paper-Commercial (Carved out) | ST | 800.00 | CARE A1+ | - | 1)CARE A1+ (04-Oct-21) | 1)CARE A1+ (05-Oct-20) | 1)CARE A1+ (05-Jul-19) 2)CARE A1+ (09-Apr-19) |
| 7 | Commercial Paper-Commercial (Standalone) | ST | 300.00 | CARE A1+ | - | 1)CARE A1+ (04-Oct-21) | 1)CARE A1+ (05-Oct-20) | 1)CARE A1+ (05-Jul-19) 2)CARE A1+ (09-Apr-19) |
| 8 | Debentures-Non Convertible Debentures | LT | 40.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20) | 1)CARE AA; Stable (07-Feb-20) |
| 9 | Debentures-Non Convertible Debentures | LT | 40.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20) | 1)CARE AA; Stable (07-Feb-20) |
| 10 | Debentures-Non Convertible Debentures | LT | - | - | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20) | 1)CARE AA; Stable (07-Feb-20) |
| 11 | Debentures-Non Convertible Debentures | LT | 150.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20) | - |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-----------------|---|---|--|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 12 | Debentures-Non Convertible Debentures | LT | - | - | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20) | - |
| 13 | Debentures-Non Convertible Debentures | LT | 15.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20) | - |
| 14 | Debentures-Non Convertible Debentures | LT | 15.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20) | - |
| 15 | Debentures-Non Convertible Debentures | LT | 150.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20) | - |
| 16 | Debentures-Non Convertible Debentures | LT | 250.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) | - |
| 17 | Debentures-Non Convertible Debentures | LT | 30.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (05-Oct-20) | - |
| 18 | Debentures-Non Convertible Debentures | LT | 125.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (23-Dec-20) | - |
| 19 | Debentures-Non Convertible Debentures | LT | 200.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (23-Dec-20) | - |
| 20 | Debentures-Non Convertible Debentures | LT | 275.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | 1)CARE AA; Stable (23-Dec-20) | - |
| 21 | Debentures-Non Convertible Debentures | LT | 100.00 | CARE AA; Stable | - | 1)CARE AA; Stable (04-Oct-21) | - | - |
| 22 | Debentures-Non Convertible Debentures | LT | 300.00 | CARE AA; Stable | | | | |

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

| Name of the Instrument | Detailed explanation |
|---|---|
| NCD issue of Rs.200 crore | |
| A. Financial covenants | |
| I. Fixed asset coverage ratio | Should be at least 1.40x |
| II. Total debt to tangible networth ratio | Should not be more than 2.33x |
| B. Non financial covenants | |
| I. Declaration of dividend | No dividend to be declared nor any payment to equity holders to be made, if an Event of Default resulting from any payment default has occurred and is subsisting. Further, no dividend to be declared nor any payment to equity holders to be made, if |

| | |
|---|---|
| | an Event of Default resulting from any other default other than payment default has occurred and is subsisting for a period of 30 days. |
| II. Sale of movable fixed assets | Any sale of movable fixed asset, with a value/consideration of more than Rs.500 crore p.a., has to be with the prior consent of the Debenture Trustee. |
| III. Promoter shareholding | The existing Promoters should retain management control and at least 44% shareholding of the company directly or through affiliates / associate`s / subsidiaries during the tenure of the Debenture. |
| NCD issue of Rs.250 crore | |
| A. Financial covenants | |
| I. Debt service coverage ratio | Should be greater than 1.10x |
| II. Fixed asset coverage ratio | Should be greater than 1.25x |
| III. Overall gearing | Should be less than 3.50x |
| B. Non financial covenants | |
| I. Annual audited unconsolidated financial statements | Audited unconsolidated financial statements of the issuer within 180 days from the end of financial year and unaudited financial statements of issuer within 90 days from the end of first half of financial year |
| II. End use certificate | Issuer to provide end-use certificate within 30 days of deemed date of allotment confirming that no part of the issue has been used for activities like investment in capital markets, real estate, acquisition or purchase of land or for refinancing of debt which was used for the said purposes, along with the heads under which funds have been actually utilized in accordance with Transaction Documents. |
| III. Financial statements | The issuer shall submit such financial statements as may be required by the debenture holder(s) from time to time, apart from the set of such statements to be furnished by the issuer to the debenture holder(s) as on date of publication of the issuer's annual accounts |
| IV. Event having material adverse effect | Issuer shall inform of the happening of any event that has a material adverse effect on the operations, sales and profits of the issuer together the remedial steps proposed to be taken by the Issuer |

Annexure 4: Complexity level of various instruments rated for this company

| Sr. No. | Name of Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Commercial Paper-Commercial Paper (Carved out) | Simple |
| 2 | Commercial Paper-Commercial Paper (Standalone) | Simple |
| 3 | Debentures-Non Convertible Debentures | Complex |
| 4 | Debentures-Non Convertible Debentures | Simple |
| 5 | Fund-based - LT-Cash Credit | Simple |
| 6 | Fund-based - LT-Term Loan | Simple |
| 7 | Non-fund-based - ST-BG/LC | Simple |
| 8 | Term Loan-Long Term | Simple |

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure 5: Bank Lender Details for this Company

Click here to view Bank Lender Details [click here](#)

Annexure 6: List of subsidiaries, associates and joint ventures of CESC getting consolidated as on March 31, 2022

| Sr. No. | Name of Subsidiaries & Associates | % ownership as on March 31, 2022 |
|---------|-----------------------------------|----------------------------------|
| 1 | Haldia Energy Limited | 100.00 |
| 2 | Dhariwal Infrastructure Limited | 100.00 |
| 3 | Malegaon Power Supply Ltd | 100.00 |
| 4 | CESC Projects Limited | 100.00 |

| Sr. No. | Name of Subsidiaries & Associates | % ownership as on March 31, 2022 |
|---------|--|----------------------------------|
| 5 | Bantal Singapore Pte Limited | 100.00 |
| 6 | Pachi Hydropower Projects Limited | 100.00 |
| 7 | Papu Hydropower Projects Limited | 100.00 |
| 8 | Ranchi Power Distribution Company Limited | 100.00 |
| 9 | Kota Electricity Distribution Limited | 100.00 |
| 10 | Bikaner Electricity Supply Limited | 100.00 |
| 11 | Bharatpur Electricity Services Limited | 100.00 |
| 12 | CESC Green Power Limited | 100.00 |
| 13 | Jharkhand Electric Company Limited | 100.00 |
| 14 | Jarong Hydro-Electric Power Company Limited | 100.00 |
| 15 | Eminent Electricity Distribution Limited | 100.00 |
| 16 | Au Bon Pain Café India Limited | 93.10 |
| 17 | Crescent Power Limited | 67.83 |
| 18 | Mahuagarhi Coal Company Pvt Ltd | 50.00 |
| 19 | Noida Power Company Limited (NPCL) (Joint Venture) | 72.73 |

Contact us

Media Contact

Name: Mradul Mishra

Phone: +91-22-6754 3573

E-mail: mradul.mishra@careedge.in

Analyst Contact

Name: Agnimitra Kar

Phone: +91-11-4533 3285

E-mail: agnimitra.kar@careedge.in

Relationship Contact

Name: Lalit Sikaria

Phone: + 91-033-4018 1600

E-mail: lalit.sikaria@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**