India Power Corporation Limited

July 28, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	121.23 (Reduced from 225.65)	CARE BB+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	7.36 (Reduced from 22.61)	CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Non-Convertible Debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated August 17, 2021, placed the rating(s) of India Power Corporation Limited (IPCL) under the 'issuer non-cooperating' category as IPCL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. IPCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls dated July 05, 2023; July 10, 2023 and July 15, 2023. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

CARE Ratings Ltd. has withdrawn the rating assigned to the NCD issue of IPCL with immediate effect, as the company has repaid the aforementioned NCD issue in full and there is no amount outstanding under the issue as on date.

The rating continues to remain constrained by weakened credit profile of major companies of the group, exposure in group companies, exposure to regulatory risks, uncertainty with respect to recovery of receivables from Power Trust, increase in AT&C losses in FY20 and H1FY21, risk of uncertain weather conditions for wind power assets, moderate financial performance and competition from other players in the command area. The rating, however, derives comfort from experienced promoters, tie-up of PPAs at competitive rates leading to reduction in cost of supply, cost plus based tariff supported by MVCA for pass-through of increase in power purchase cost, full metered supply with satisfactory collection efficiency, stable capital structure with moderate debt protection metrics in FY20 and completion of the major ongoing project.

Analytical approach: Standalone factoring linkages with the group

Detailed description of the key rating drivers

At the time of last rating on August 09, 2022 the following were the rating weaknesses and strengths (updated for the information available from the website of the company:

Key Rating Weaknesses

Weakened credit profile of major companies of the group

The credit profile of major companies of the group has deteriorated the liquidity position and financial flexibility of the group. Also, one of the companies belonging to promoter family has approached NCLT for restructuring of its bank loans. With the weakened credit profile of the promoter group, the likelihood of receipt of funds from group is uncertain going ahead.

Exposure in Group Companies

IPCL has investment in subsidiary companies in the form of investment (Equity, CCPS & FCCD) and loans & advances amounting to the tune of Rs.155.0 crore as on March 31, 2020 (Rs.161.8 crore as on March 31, 2019) accounting for 44.4% (~47.9% in FY19) of its Adjusted Networth (Networth adjusted for investment in group entity Power Trust and revaluation reserve) as on March 31, 2020. IPCL had given corporate guarantee on September 23, 2016 in favor of the lenders of Meenakshi Energy Limited (MEL) for a loan amounting to Rs.2,800 crore as on March 31, 2020 (Rs.2,800 crore as on March 31,

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

2019) subject to WBERC approval. WBERC had declined the approval vide their letter dated November 10, 2017. Accordingly, the lenders of MEL were informed that the Corporate Guarantee given earlier is void. As on March 31, 2020, MEL cease to be the subsidiary of IPCL post corporate insolvency resolution process initiated in respect of MEL and invocation of pledged shares by the lenders. Hence, the auditor has removed the corporate guarantee from the contingent liability in the books of IPCL as on March 31, 2020. On May 02, 2018, the 95.07% equity stake of IPCL in MEL, which was fully pledged with SBI CAP Trustee Company Limited (SBI CAP) on behalf of the lenders, was invoked by the lenders and the said shares have been thereafter transferred to the lenders. IPCL has contested in the court of law the validity of corporate guarantee and the matter is pending with Hon'ble XIV Additional Chief Judge cum Commercial court Hyderabad and is sub-judice. MEL doesn't have any power off take arrangement in place and the power plant (300MW) is currently non-operational and is under insolvency in NCLT. IPCL has an outstanding exposure of Rs.19.70 crore to IPCL (Bodhgaya) as on March 31, 2020 in the form of loans and advances as against Rs.22.30 crore as on March 31, 2019. However, IPCL Bodhgaya power distribution franchisee agreement dated December 31, 2013 in Gaya has been terminated by South Bihar Power Distribution Company Limited vide noticed dated July 04, 2018 and the said matter is currently sub-judice. The company has been admitted to NCLT and ceased to be a subsidiary of IPCL. Recoverability of investments and loans and advances from both the entities is uncertain.

Exposure to regulatory risks
Majority of IPCL's power is being supplied to high-tension (HT) consumers. With the Open Access Regulations in place, IPCL may face significant demand uncertainty in this aspect as the possibility of existing consumers approaching its competitors for direct sale of power cannot be ruled out in future. However, that entails additional cost on account of wheeling charges for transmission lines in IPCL's area and necessary approvals from Regulatory Authority. Further, to reduce the possibility of such migration, IPCL continues its measures towards consumer satisfaction like lower power procurement cost, timely grievance redressal, reliable and good quality power, timely billing & collection and loss reduction initiatives, etc. The company's licensee business demonstrated positive growth in FY20. IPCL has sold 845.14 mn units of power in its license area in West Bengal during FY20 compared to 787.48 mn units in FY19.

Uncertainty with respect to recovery of receivables from Power Trust
IPCL had invested in Hiranmaye Energy Ltd (erstwhile India Power Corporation [Haldia] Ltd) in the form of Fully & Compulsorily Convertible Debentures (FCCD) of Rs.490.5 crore of face value Rs.10 each which have been transferred to Power Trust at book value in March 2017 and thereafter the company ceased to be a subsidiary w.e.f. March 31, 2017 and had become an associate. Further during FY18, IPCL had transferred the remaining investment in the form of Compulsorily Convertible Preference Shares (CCPS) of Rs.306.82 crore) to Power Trust. The receivables against the above transactions (FCCD & CCPS transfer) stood at Rs.489.5 crore as on March 31, 2018 from Power Trust. Till FY20, IPCL received Rs.288.89 crore from Power Trust, thereby reducing the receivable to Rs.200.6 crore as on March 31, 2020. In FY21, till November 30, 2020, no fund has been received by IPCL in respect to this receivable. Further, there is increased uncertainty of receivables from Power Trust as well as the timing of the same in the context of reduced financial flexibility of promoter group given the long pending execution of share sale of IPCL held by Power Trust.

Increase in AT&C losses in FY20 and H1FY21
The company has been continuously carrying out up-gradation of the T&D infrastructure on an ongoing basis. AT&C losses increased from 4.18% in FY19 to 6.19% in FY20 on account of increase in receivables as on March 31, 2020 compared to March 31, 2019. The increase in receivables was on account of lockdown imposed in the end of March 2020, due to which few clients (which generally make the payment at the end of the month) deferred their payment of March 2020 to April 2020. In H1FY21, the AT&C losses have increased to 6.32% mainly due to two reasons. Firstly, the company sold increased power to LT customers during lockdown (since most of the industries were closed) where T&D losses tend to be higher. Secondly, due to lockdown and pandemic situation, the billing and collection got delayed. Also, few customers requested for payment of demand charges/energy dues for Q1FY21 in 6 monthly instalments which have been granted to them leading to delayed collections.

Risk of uncertain weather conditions for wind power assets
IPCL also operates 43.2 MW of wind power capacity (Gujarat – 24.8 MW, Karnataka – 10.4 MW and Rajasthan – 8 MW) on an operating lease basis. Profitability from wind segment operation is exposed to uncertain weather conditions.

Moderate financial performance in FY20 with improvement witnessed in FY21
IPCL's revenue from sale of power witnessed a y-o-y increase of 3.10% in FY20 despite decline in average tariff from Rs.5.58/unit in FY19 to Rs.5.36/unit in FY20 due to increase in the sale of power units (from 787.48 MU in FY19 to 845.14 MU in FY20) for the regulated (HT/LT) business. The tariff has been reduced in FY20 on account of discounts provided by the company (in the form of reduced tariff) to its new consumers in order to increase its customer base. However, the total

operating income witnessed a decline due to reduction in revenue from windmill segment on account of sale of 52 MW windmill units in Rajasthan in Q2FY19. Despite decline in rental expenses due to impact of IND AS 116 (as per which the rental expenses shall now be converted into financial lease obligations and booked as interest and depreciation in the books going ahead), PBILDT margin witnessed a decline from 16.26% in FY19 to 13.47% in FY20 on account of reduction in average tariff in FY20 along with reduction in write back of sundry liabilities which the company was recording as income since last 2 years (Rs.31.1 crore in FY18, Rs.41.9 crore in FY19 and Rs.1.71 crore in FY20). PAT margin also witnessed a slight decline from 3.29% in FY19 to 3.13% in FY20 on account of reduction in operating margins. Interest coverage ratio of the company witnessed an improvement from 1.17x in FY19 to 1.46x in FY20 on account of significant reduction in interest cost due to prepayment of loans done by the company in January 2019. Further, the company booked a regulatory income (fuel and power purchase cost adjustment and other incentive adjustments based on tariff regulations) of Rs.23.36 crore in FY20 (Rs.19.33 crore in FY19) which has been adjusted from GCA for our analysis since the same has not been recovered in cash during that year. The company earned a GCA of Rs.20.87 crore in FY20 against debt repayment obligation of Rs.54.12 crore. The shortfall in cash accruals was met out of fund infused by promoters in the form of unsecured loans amounting to Rs.37 crore in FY20. In H1FY21, the total operating income of the company witnessed a de-growth of around 5.69% y-o-y on account of covid-19 pandemic resulting in lockdown in the country during Q1FY21 which led to reduction in power off-take by consumers. However, as per WBERC norms and order released by WBERC dated May 06, 2020 allowing licensees in West Bengal region to raise fixed charges/demand charges from its customers for April & May 2020 billing, the company was able to recover fixed charges/demand charges from its customers which led to improvement in PBILDT margin. Further, the reduction in average power purchase cost also led to improvement in PBILDT margin. PAT margin of the company witnessed deterioration on account of the company booking regulatory expense in H1FY21 vis-à-vis regulatory income in H1FY20. Interest coverage ratio improved from 0.98x in H1FY20 to 1.78x in H1FY21 on account of improved PBILDT. The company booked a regulatory expense (fuel and power purchase cost adjustment and other incentive adjustments based on tariff regulations) of Rs.4.84 crore in H1FY21 (regulatory income of Rs.14.19 crore in H1FY20) which has been adjusted from GCA for our analysis since the same has not been recovered in cash during that year. Hence, GCA stood at Rs.26.99 crore vis-à-vis debt repayment obligation of Rs.11.85 crore in H1FY21. The company earned PAT of Rs.26.66 crore on total operating income of Rs. 485.35 crores in FY21. There has been y-o-y increase in revenue from Rs 524.56 crore in FY22 to Rs 599.23 crore in FY23. However, PBILDT continued to remain negative at Rs 11.09 crore in FY23 as against negative Rs 24.88 crore in FY22.

Competition from other players in the command area

IPCL is facing competition from DVC and West Bengal State Electricity Distribution Company Limited (WBSEDCL) in its command area. Further, in order to meet its power requirements, IPCL also purchases some power from DVC and WBSEDCL. However, IPCL is now gradually moving towards open access which has led to decline in its cost of supply. Reduction in cost of supply would improve IPCL's competitive position going ahead.

Key Rating Strengths

Experienced promoters

IPCL was promoted by the Kolkata-based Kanoria family having various business interests and mainly engaged in construction equipment and infrastructure financing. IPCL was incorporated in 1919 to supply power in its licensed area comprising of industrial belts of Asansol, West Bengal.

Tie-up of PPAs at competitive rates leading to reduction in cost of supply

IPCL is a relatively small sized player engaged in the transmission and distribution of power with transmission & distribution network of 250 MVA. The peak demand met by the company in FY20 was 193 MVA. The average cost of power purchase has witnessed a decline from Rs.4.12/unit in FY19 to Rs.3.87/unit in FY20 and further to Rs.3.49/unit in Q1FY21. The reduction in average power purchase cost is on account of purchase of energy from Tata Power and sourcing from open access where the cost of power is low. IPCL entered into a long term PPA with DVC in July 2019 for 12 years for supply of 16 MW energy at a tariff to be determined by CERC from time to time (current tariff being Rs.4.32/Kwh) on a take or pay arrangement. The company had also entered into short term PPA with Tata Power for purchase of 85MW power at a rate of Rs.3.85/unit from November 2019 to October 2020 which led to decline in average cost of purchase. Further, IPCL has signed PPA with SECI for purchase of 100 MW power at a fixed rate of Rs.2.69/unit plus trading margin of Rs.0.07 per unit beginning from January 2021 for a period of 25 years. This is expected to result in further reduction in power purchase cost going ahead. During the lockdown in Q1FY21, the company purchased power from open access on daily payment basis at a rate of around Rs.3.10/unit to Rs.3.20/unit.

Cost plus based tariff structure supported by MVCA for pass-through of increase in power purchase cost
Under the WBERC Tariff Regulations 2011, a fixed return on equity approved gross fixed assets is allowed to IPCL (i.e. 15.5% on generation and 16.5% on distribution). Last tariff order for IPCL has been approved for FY18. APR has been approved till FY14. The company has Regulatory deferral account debit balance amounting to Rs.151 crore as on March 31, 2020 in relation to the incentives, gains and adjustments based on tariff regulations against which the company also has fuel and power purchase credit balance amounting to Rs.59 crore.

Full metered supply with satisfactory collection efficiency
IPCL's collection efficiency has remained satisfactory over the years. The same stood at 98.17% in FY20 vis-à-vis 99.97% in FY19. However, the same deteriorated to 93.73% in Q1FY21 due to delay in receivables from consumers on account of lockdown which was imposed in the country. Considering collection from wind mill operations, which were transferred to IPCL (as part of reverse merger) during FY14, collection efficiency was 97.99% in FY20 vis-à-vis 98.29% in FY19 which further deteriorated to 91.99% in Q1FY21.

Stable capital structure with moderate debt protection metrics in FY20
The capital structure remained stable in FY20 compared to FY19. The debt equity ratio witnessed an improvement from 0.64x as on March 31, 2019 to 0.57x as on March 31, 2020 on account of scheduled repayment of term loans and NCDs. The overall gearing ratio remained stable at 0.98x as on March 31, 2020 (1.00x as on March 31, 2019) and continued to remain at the same level as on June 30, 2020. The improvement in overall gearing was lower than that compared to debt equity ratio on account of increase in working capital utilisation of the company to fund its liquidity requirements in the absence of approval of tariff order by WBERC along with delay in collections due to Covid-19 pandemic. TDGCA of the company stood at 16.41x as on March 31, 2020 on account of cash profit earned by the company in FY20 instead of cash loss as in previous years. Further, the company has repaid its NCD obligation of Rs.20 crore which was due on November 03, 2020. Overall gearing stood at 0.28x as on Mar 31, 2023 and 0.35x as on March 31, 2022.

Completion of the major ongoing project
The project for supply of traction power to Eastern Railways was partially implemented in September 2019 and a small span of 400 meter transmission line was to be set up for Railway which was expected to be completed by March 2020. However, due to pandemic, the progress had been stalled temporarily. The company has now completed the transmission line project and connected to Eastern Railway on May 26, 2020. The total project cost incurred amounted to ~Rs.80 crore vis-à-vis earlier envisaged cost of Rs.69 crore. The company has also implemented Supervisory Control and Data Acquisition (SCADA) at Asansol T&D System at a project cost of around Rs.14.48 crore funded out of internal accruals (in the last 2 years). The company is undertaking the project in 2 phases, wherein the 1st phase has been completed at a cost of Rs.11 crore while second phase is under process and expected to be completed by December 2020 at an estimated project cost of Rs.3 crore. The company has received sanction of Rs.10 crore from IREDA for reimbursement of the cost of the project. Out of this, Rs.7 crore has been disbursed and Rs.3 crore shall be disbursed in Q4FY21 post completion of the site visit and other documentations

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Infrastructure Sector Ratings
Policy on Withdrawal of Ratings

About the Company and industry
Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Distribution

IPCL – [erstwhile DPSC Ltd (DPSC)] is currently engaged in transmission and distribution of power across its licensed area, spread over 618 sq. km across Asansol to Ranigunj industrial belts of West Bengal. IPCL has a distribution network in three circles (Dishergarh, Seebpore and Luchipur) with connected load of about 250 MVA. IPCL was a licensee under the provisions of the Indian Electricity Act, 1910 (since repealed) and had become a deemed licensee in terms of the first provision to section 14 of the Electricity Act 2003. It is currently operating as per the provisions of the West Bengal Electricity Regulatory Commission (WBERC) Regulations, 2011. IPCL has its own 12 MW captive coal-based power generation plant. However, in FY20, the 12 MW power plant was non-operational due to non-availability of coal at economical price, which would have otherwise resulted in higher cost of production. The plant has again become operational since June 2020. IPCL also operates 43.2 MW wind-based power capacities (Gujarat – 24.8 MW, Karnataka – 10.4 MW and Rajasthan – 8 MW) on an operating lease basis from SREI Infrastructure Finance Limited; which contributed around 5% of the total income from operations for FY20 (as against 7.5% in FY19). In 2010, Kanoria family of Kolkata acquired DPSC Ltd. through its investment company, India Power Corporation Ltd (erstwhile IPCL) from Andrew Yule & Co. Ltd. In 2013, erstwhile IPCL got merged into DPSC and consequently DPSC name was changed to IPCL.

Brief Financials (Rs. crore)	31-03-2022 (A)	31-03-2023 (Abridged)
Total operating income	524.56	599.23
PBILDT	-24.88	-11.09
PAT	16.15	13.61
Overall gearing (times)	0.35	0.28
Interest coverage (times)	-0.75	-0.29

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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: Annexure-4

Lender details: Annexure-5

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
Debentures-Non Convertible Debentures	INE360C07054, INE360C07088 INE360C07096, INE360C07104	03-Nov-2010	12.00%	September 19, 2022	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	-	87.50	CARE BB+; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	March 2026	33.73	CARE BB+; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	-	7.36	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	87.50	CARE BB+; ISSUER NOT COOPERATING*	-	1)CARE BB+; ISSUER NOT COOPERATING* (09-Aug-22)	1)CARE BB+; ISSUER NOT COOPERATING* (17-Aug-21)	1)CARE BB+ (CW with Negative Implications) (23-Dec-20) 2)CARE BBB (CW with Negative Implications) (13-Oct-20)
2	Non-fund-based - ST-BG/LC	ST	7.36	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (09-Aug-22)	1)CARE A4+; ISSUER NOT COOPERATING* (17-Aug-21)	1)CARE A4+ (CW with Negative Implications) (23-Dec-20) 2)CARE A3 (CW with Negative Implications) (13-Oct-20)
3	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE BB+; ISSUER NOT COOPERATING* (09-Aug-22)	1)CARE BB+; ISSUER NOT COOPERATING* (17-Aug-21)	1)CARE BB+ (CW with Negative Implications) (23-Dec-20) 2)CARE BBB (CW with Negative Implication

								s) (13-Oct-20)
4	Fund-based - LT-Term Loan	LT	33.73	CARE BB+; ISSUER NOT COOPERATING*	-	1)CARE BB+; ISSUER NOT COOPERATING* (09-Aug-22)	1)CARE BB+; ISSUER NOT COOPERATING* (17-Aug-21)	1)CARE BB+ (CW with Negative Implications) (23-Dec-20) 2)CARE BBB (CW with Negative Implications) (13-Oct-20)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-BG/LC	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

To view the lender wise details of bank facilities please click here

Contact us

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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.

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