Energy Development Company Limited

August 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	7.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Energy Development Company Limited (EDCL) to monitor the ratings vide e-mail communications dated June 14, 2023, July 17, 2023 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. Further, EDCL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Energy Development Company Limited's bank facilities will now be denoted as **CARE B+ Stable /CARE A4; ISSUER NOT COOPERATING*.**

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

The ratings take into account variability in revenue streams, revenue concentration, weak financial performance, significant exposure to group entities and elongated working capital cycle. The ratings, however, derive comfort from the experience of the company in power generation business, presence of long term power purchase agreements with state utilities and comfortable capital structure.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers

At the time of last rating on June 21, 2022 the following were the rating strengths and weaknesses (updated for the information available from stock exchange).

Key Rating Weaknesses

Variability in revenue streams

EDCL faces variability in hydro and wind power generation as the same is subject to vagaries of nature. The units generated from Hydro & Wind power moderated to 39.40 million units in FY23 compared to 40.19 million units in FY22. However, there were no revenue from the construction division in FY22 and FY23.

Revenue concentration

Majority of the revenue is being derived from sale of power generated from hydropower plant and wind power plant. During FY22, 100% of the total operating income was derived from power segment (PY: 94%). The company has only one ongoing project in the construction business, which is expected to complete in FY23. The company has not bid for any new construction project during FY22.

In FY23 also, 100% of the total operating income was derived from power segment.

Weak financial performance

The total operating income moderated to Rs. 12.82 crores in FY23 from Rs. 12.94 crores during FY22. The company earned PBILDT of Rs.4.43 crores in FY23. The net profit of the company stood at Rs. 0.65 crores in FY23 vis-à-vis Rs. 3.00 crores in FY22.

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

Significant exposure to group entities

EDCL's exposure to its subsidiary companies by way of investments and loans & advances increased moderately from Rs.114.39 crore as on March 31, 2021 to Rs.116.45 crore as on March 31, 2022 accounting for 71% of its FY22 tangible net worth. Apart from fund based exposure, EDCL has provided corporate guarantee of Rs.95 crore for term loan availed by Ayyappa for setting up the project; the outstanding of which being around Rs.77 crore as on March 31, 2022. The loan repayment restructured in 2018 is now to be repaid in 17 years as against repayment in 10 years initially. EDCL had entered into an agreement with Essel Infraprojects Ltd (EIL) for divesting 76% of its stake in its subsidiaries setting up projects in Uttarakhand and Arunachal Pradesh. EIL was supposed to invest in these 15 Hydro power projects earlier held by EDCL through its various subsidiaries. The project has been kept on hold.

Elongated working capital cycle

The operating cycle of the company improved in FY22 to 475 days vis-à-vis 685 days in FY21 on account of slight improvement in average collection period from 1122 days in FY21 to 1024 days in FY22. The receivables beyond 180 days stood at Rs.34.08 cr as on March 31, 2022 which constitutes around 90% of the total receivables of Rs.37.80 crore. Majority of receivables outstanding for more than 6 months pertains to projects in construction sector which were executed in the last few years. Generally, the retention money is held for one to one and half years. There was increase in receivables due to the non receipt of amount from one of its projects (6 MW Harangi Hydro Electric Project) due to non operational current account of the entity.

Key Rating Strengths

Experienced promoters in power generation business

EDCL is into generation of power from renewable sources such as Hydro and Wind for more than two decades now. EDCL also has been undertaking execution of construction contracts since 1996. The company has experienced management personnel on its board and has demonstrated a track record in operating hydel power plants. In the absence of chairman of the company, Shri Amar Singh who passed away on August 02, 2020 due to prolonged illness, Mrs. Pankaja Kumari Singh, wife of Mr. Amar Singh has become actively involved in the day to day affairs of the company along with Mr. Satyendra Pal Singh, Executive Director of the company.

Presence of long term power purchase agreements with state utilities

EDCL has in place long-term power purchase agreements (PPAs) with the state utilities for the hydro and wind power generation capacity which ensures steady revenue from sale of power. In case of 9 MW Harangi Hydro Electric Project, the company enters into yearly contracts with Customized Energy Solutions India Pvt Ltd (CESIPL).

Comfortable capital structure

Gearing ratio remained comfortable and stood at 0.13x as on March 31, 2022 (0.13x as on March 31, 2021). However, on adjustment in networth with respect to long pending receivables which are outstanding for more than 180 days and loan amounting to Rs. 3.14 crore given to certain companies, the adjusted overall gearing ratio stood at 0.17x as on March 31, 2022 as against 0.17x as on March 31, 2021.

As on March 31, 2023, the gearing ratio stood at 0.15x.

Applicable criteria

Policy in respect of Non-cooperation by issuer
Policy on default recognition
Short Term Instruments
Rating Outlook and Credit Watch
Policy on Withdrawal of Ratings
Wind Power Projects
Construction
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities

About the company and industry

Industry classification

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

EDCL was incorporated in 1995 and is engaged in power generation from renewable sources (hydro and wind), contract management in the construction sector (construction of bridges, roads, power plants, operation & maintenance of power plants etc.) and providing consultancy services in setting up hydro power plants (engineering, designing, project management services, etc). The company currently operates with 15MW of hydro power plant in Harangi, Karnataka and 3MW of wind power plant in Hassan and Chitradurga, Karnataka. Further, the company in its subsidiaries Ayyappa Hydro Power Ltd (AHPL) and EDCL Power Projects Ltd (EPPL) has operational hydro power capacity of 15 MW and 7 MW respectively in Kerala.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	12.94	12.82
PBILDT	4.32	4.43
PAT	3.00	0.65
Overall gearing (times)	0.13	0.15
Interest coverage (times)	1.65	1.74

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	7.00	CARE A4; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for the 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	4.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (21-Jun-22)	1)CARE B+; Stable (04-Aug-21)	1)CARE B+; Stable (22-Sep-20)
2	Non-fund-based - ST-BG/LC	ST	7.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (21-Jun-22)	1)CARE A4 (04-Aug-21)	1)CARE A4 (22-Sep-20)

*Issuer did not cooperate; based on best available information.
*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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.

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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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