

Damodar Valley Corporation

January 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities*	21,620.67 (Enhanced from 12,328.43)	CARE A; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	1,000.00 (Enhanced from 890.00)	CARE A; Stable / CARE A2+	Reaffirmed
Short Term Bank Facilities	7,800.00 (Enhanced from 7,300.00)	CARE A2+	Reaffirmed
Bonds [@]	4,400.00	CARE AAA (CE); Stable	Reaffirmed
Bonds [@]	2,600.00	CARE AAA (CE); Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

*Includes cash credit of Rs. 3650.00 crore

@ backed by an unconditional and irrevocable guarantee provided by Government of India (GoI)

Unsupported rating	CARE A [Reaffirmed]
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Note: Unsupported rating does not factor in the explicit credit enhancement.

Rationale and key rating drivers for the credit enhanced debt

The reaffirmation of the ratings assigned to the outstanding bonds of Damodar Valley Corporation (DVC) are based on the credit enhancement in the form of an unconditional and irrevocable guarantee provided by the Government of India (GoI) and the structured payment mechanism for the said bond issues. Ratings continue to factor in the trustee-monitored payment mechanism in place to ensure the timely payment of the interest and principal obligations on the bonds issue. According to the mechanism, DVC has to fund the designated account on the T-10th day. In case the designated account is not funded by the T10th day, then on the T-8th day, the trustee would invoke the government guarantee, and on or before the T-1 day, the GoI is required to fund the designated account.

Rationale and key rating drivers of bank facilities of DVC

The reaffirmation of ratings of bank facilities of DVC favourably factor in continued improvement in operational performance as evident from higher plant availability factor (PAF) and plant load factor (PLF) for its thermal power projects and low level of aggregate technical and commercial loss in its distribution business. The rating also derives comfort from recovery of old dues as well as timely recovery of current dues from Jharkhand Bijli Vitran Nigam Limited (JBVNL).

The ratings positively factor in the capital contribution by Government of India, Government of West Bengal and Government of Jharkhand (erstwhile Bihar) in the entity and the financial flexibility on account of its parentage. Damodar Valley Corporation was setup under a Special Act of Parliament and has representation from GoI, GoWB and GoJ on its board. Strategic importance of DVC is evident from the guarantee extended by GoI for the outstanding bonds. The ratings also factor in the presence of tri partite agreement with Haryana, Karnataka, Madhya Pradesh and Kerala wherein RBI can deduct payments from state budget upon directions from central government in case of delay in payments to DVC.

The ratings to bank facilities continue to factor in the strategic importance of the entity in Damodar Valley region in terms of power generation and supply in the region for industrial development along with gradual increase in demand. Ratings continue to draw strength from tie-up of the power sale arrangement for its thermal power capacity on cost-plus basis resulting in low off-take risk and ensuring adequate recovery of return on equity subject to normative parameters as per CERC tariff regulations. Moreover, ratings continue to favourably factor in the coal linkages, extent of contracted quantity materialization and commencement of production from its coal mine – Tubed.

Ratings are however constrained by execution and funding risk associated with large debt-funded projects including three thermal power projects with total capacity of 3,720 MW. The risk is mitigated to some extent by presence of PPA for part capacity while remaining is under finalization, FSA for 2120 MW as on date and achievement of financial closure for two of the under construction projects. The debt levels are expected to increase in the medium term leads to moderate debt coverage indicators on account of

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

capital expenditure plans of the entity. . The ratings are constrained by counter party credit risk associated with exposure to state distribution utilities for part capacity as evident from build up of receivables in the past. CARE Ratings notes that the payment from state distribution utilities has been timely in the recent years post implementation of Late Payment Surcharge Scheme and realization of dues under EMI scheme from Jharkhand State Electricity Board. the ratings continue to remain constrained by lack of equity contribution by the participating governments.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total debt (TD)/profit before interest, lease rentals, depreciation and tax (PBILDT) below 4.5x on sustained basis
- Commissioning of under construction projects without significant cost and/or time overrun

Negative factors

- Higher debt levels, leading to deteriorating overall gearing ratio above 6.0x.
- Non-recovery of old dues from offtakers adversely impacting the debt and liquidity profile of DVC
- Significantly declining PAF or significantly increasing borrowing cost leading to large decline in cash accruals
- Dilution of support by GoI for the guaranteed bonds

Analytical approach:

Credit enhanced rating for Bonds: Ratings factor in the credit enhancement in the form of an unconditional and irrevocable guarantee provided by the GoI.

Standalone/Unsupported rating: Standalone, factoring in linkage with GoI, GoWB and GoJ.

Outlook: Stable

Stable outlook factors in presence of long term PPA for thermal capacity on cost plus basis, satisfactory operational performance, timely payment from counter parties.

Detailed description of the key rating drivers

Key strengths

Important role of DVC in the context of industrial development

DVC is a statutory corporation formed under a special act of the Parliament with joint capital contribution from the GoI, the Government of West Bengal (GoWB), and the Government of Jharkhand (GoJ; erstwhile Bihar) for the development in the valley. Strategically, the economic and social development of the valley (power supply, irrigation, flood control, afforestation and control of soil erosion, among others) holds importance to GoWB and GoJ due to the presence of an industrial belt in the surrounding areas. Its capital is directly held by the Central and state governments. In the absence of equity infusion by the GoI, GoWB and GoJ, the corporation meets its equity capital requirement by internal accruals with proper approvals from Ministry of Power (MoP), Government of India as per respective provision of the DVC Act, 1948.

Tie-up of power purchase arrangement (PPA) on a cost-plus basis, resulting in low off-take risk

DVC has signed power purchase agreements (PPAs) for its thermal generating capacity with state distribution utilities and pooled PPA with customers in its region on cost plus basis. These PPAs are based on the two-part tariff structure as per CERC tariff regulations which ensures complete recovery of fixed expenses subject to normative parameters. The capacity charges are recoverable in full if the plant availability is at least the normative PAF. The energy charge is determined on the basis of landed cost of fuel applied on the quantity of fuel consumption. DVC's tariff for bulk customers has been lower than the tariff of other power utilities in Eastern India, enabling it to sell power to the Railways, distribution licensees, and industrial consumers operating in and around West Bengal and Jharkhand. DVC also sells power to distribution utilities of Delhi, Madhya Pradesh, Haryana, Punjab, and private entities through short-term bilateral agreements.

Satisfactory coal linkages; ramp up of production from new coal mine expected

DVC procures the coal required for power generation from various subsidiaries of Coal India Limited (CIL) with which it has fuel supply agreements (FSAs). The annual requirement of coal at 85% plant load factor (PLF) is approximately 30 million tonne (MT), against which the corporation has an FSA for supply of 23.1 MT. Additionally, DVC has bridge linkages of 4.2 MT, which along with the FSA, have historically met the coal demand of DVC. DVC started production from its coal mine – Tubed in February 2023 and production was 1.5 million MT in FY2024 and 1.2 million MT in H1 FY2025 as against annual capacity of 6 million MT. Production from the mine is expected to improve coal availability for DVC and increase cost competitiveness for its Mejia TPS (VII and VIII) and Chandrapura (VIII). This will eventually increase the PLF of DVC going forward.

Improving operational and financial performance

The operational and financial performance of DVC has witnessed improvement in FY24 (refers to the period April 1 till March 31) over FY22 and FY23. The PLF of DVC improved to 77% in FY24 and 76% in H1 FY25 as against 69% in FY22 and 74% in FY23 on back of strong demand of power. PAF of the projects remained above normative PAF of 85% at 90% in FY2024 and 87% in H1 FY2025 leading to recovery of fixed charges.

Moreover, DVC has a strong infrastructure network and supplies power only to high-tension customers (state power utilities (bulk), the Railways and industrial consumers (Retail)), thereby safeguarding the corporation from the burden of cross-subsidy to low-tension customers and accompanying distribution losses. The operating profit increased to Rs 5,025 crore in FY2024 (provisional) as against Rs 4,732 crore in FY2023. Total debt (TD)/PBILDT is expected to remain elevated in the medium term due to increase in the overall debt levels on account of its capex activities and expected refinancing for its Bonds.

Key weaknesses**High counterparty risk; however receivables are expected to reduce in the medium term**

Notably, 25% of the capacity is tied up with weak credit off-takers such as the discoms of Jharkhand and West Bengal. DVC had net debtors of Rs 7,978 crore as on March 31, 2024 lower than Rs 9,677 crore as on March 31, 2023. Historically, JBVNL has been one of the key debtor of the corporation. Under the EMI scheme defined in Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, JBVNL has opted to clear its outstanding dues till April 2022 in 34 equal instalments. As informed by the management, DVC has also received 25 such instalments along with payment of current dues as on date.

Risk of execution of large debt-funded capex

DVC has significant capacity expansion plans in thermal, renewable and pumped storage segment. The projected capital expenditure for 3720 MW thermal power projects shall be Rs ~33,500 crore to be funded by debt and equity in the ratio of 70:30. Thus, significant amount of debt addition is envisaged. Realization of past dues and regulatory receivables is critical for meeting the equity requirements of under construction projects. This also exposes DVC to the risks related to completion of such projects without time or cost overruns.

Lack of equity contribution by the participating governments

DVC has been increasing its power generation capacity to cater to the rising demand. However, since 1969, none of the governments (GoI, GoWB, and GoB) have contributed capital by way of direct contributions. Hence, DVC was compelled to borrow funds from the market to fund the equity deficit, in view of low internal accruals.

Regulatory risk

DVC, being a Central power generating, transmission and distribution unit in the Damodar Valley area, operates under the framework of the Central Electricity Regulatory Commission (CERC) (for its generating units and Transmission systems), and Jharkhand State Electricity Regulatory Commission (JSERC) and West Bengal Electricity Regulatory Commission (WBERC) for its distribution units.

DVC has received true up order for its thermal plants for the period 2019-24 from CERC. Moreover, the management also anticipates booking of healthy tariff arrear income in future as well.

Liquidity: Adequate

DVC has an adequate liquidity profile with projected cash accruals for FY25 sufficient to meet the debt repayment obligations. The cash and cash equivalents of ₹32 crore as on November 30, 2024. The corporation has bank deposits of Rs 3020 crore as on December 10, 2024 which have been provisioned for repayment of bonds. The corporation is receiving Rs 117 crore per month from JSEB as part of EMI scheme which is supporting liquidity. By virtue of its parentage, DVC enjoys financial flexibility in terms of access to debt market at competitive rates.

Applicable criteria

[Definition of Default](#)
[Notching by Factoring Linkages with Government](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)
[Financial Ratios – Non financial Sector](#)
[Rating Credit Enhanced Debt](#)
[Power Distribution](#)
[Infrastructure Sector Ratings](#)
[Short Term Instruments](#)
[Thermal Power](#)

Adequacy of credit enhancement structure

In case of bonds of DVC, the guarantee from the Government of India is unconditional and irrevocable for full amount and entire tenor of the bonds

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

DVC, a multipurpose river valley project, was set up as a statutory corporation under a Special Act of Parliament, Damodar Valley Corporation Act, 1948 (DVC Act). The GoI, GoWB and GoB jointly contributed to the capital of DVC. GoI has also provided guarantee for the ₹7,000 crore bonds of DVC. The functions of DVC are power generation (both, hydel and thermal), distribution and transmission, flood control, irrigation, water supply, drainage, eco-conservation and afforestation, and social and economic upliftment of the Damodar Valley region, spread across 24,235 sq km in Bihar (now Jharkhand) and West Bengal. The corporation supplies power through high-tension lines (33 kV and above) to industrial consumers, SEBs and the Railways. As on December 10, 2024, DVC had a generation capacity of 6,701.1 MW (6,540 MW thermal, 147.2 MW hydel and 13.9 MW Solar).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	25,411.87	25,056.00
PBILDT	4,731.58	5,025.06
PAT	686	811.42
Overall gearing (times)	3.41	2.90
Interest coverage (times)	2.05	2.23

A: Audited UA: Unaudited P: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Bonds	INE753F07038	30-Mar-2012	9.30	30-Mar-2027	1400.00	CARE AAA (CE); Stable
Bonds	INE753F07046	30-Mar-2012	9.30	30-Mar-2027	3000.00	CARE AAA (CE); Stable
Bonds	INE753F08028	25-Mar-2013	8.69	25-Mar-2028	2600.00	CARE AAA (CE); Stable
Fund-based - LT-Cash Credit		-	-	-	3650.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	1000.00	CARE A; Stable / CARE A2+
Term Loan-Long Term		-	-	September 2033	17970.67	CARE A; Stable
Term Loan-Short Term		-	-		7800.00	CARE A2+
Un Supported Rating		-	-		0.00	CARE A

Annexure-2: Rating history for 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 2024-2025	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
1	Bonds	LT	4400.00	CARE AAA (CE); Stable	-	1)CARE AAA (CE); Stable (29-Mar-24)	1)CARE AAA (CE); Stable (31-Mar-23) 2)CARE AAA (CE); Stable (01-Apr-22)	1)CARE AAA (CE); Stable (05-Jul-21) 2)CARE AAA (CE); Stable (06-Apr-21)
2	Bonds	LT	2600.00	CARE AAA (CE); Stable	-	1)CARE AAA (CE); Stable (29-Mar-24)	1)CARE AAA (CE); Stable (31-Mar-23)	1)CARE AAA (CE); Stable (05-Jul-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
							2)CARE AAA (CE); Stable (01-Apr-22)	2)CARE AAA (CE); Stable (06-Apr-21)
3	Term Loan-Long Term	LT	17970.67	CARE A; Stable	-	1)CARE A; Stable (29-Mar-24)	1)CARE A-; Stable (31-Mar-23) 2)CARE A-; Stable (01-Apr-22)	1)CARE A-; Stable (26-Apr-21) 2)CARE A-; Stable (06-Apr-21)
4	Fund-based - LT-Cash Credit	LT	3650.00	CARE A; Stable	-	1)CARE A; Stable (29-Mar-24)	1)CARE A-; Stable (31-Mar-23) 2)CARE A-; Stable (01-Apr-22)	1)CARE A-; Stable (26-Apr-21) 2)CARE A-; Stable (06-Apr-21)
5	Non-fund-based - LT/ ST-BG/LC	LT/ST	1000.00	CARE A; Stable / CARE A2+	-	1)CARE A; Stable / CARE A2+ (29-Mar-24)	1)CARE A-; Stable / CARE A2+ (31-Mar-23) 2)CARE A-; Stable / CARE A2+ (01-Apr-22)	1)CARE A-; Stable / CARE A2+ (26-Apr-21) 2)CARE A-; Stable / CARE A2+ (06-Apr-21)
6	Term Loan-Short Term	ST	7800.00	CARE A2+	-	1)CARE A2+ (29-Mar-24)	1)CARE A2+ (31-Mar-23) 2)CARE A2+ (01-Apr-22)	1)CARE A2+ (26-Apr-21) 2)CARE A2+ (06-Apr-21)
7	Un Supported Rating	LT	0.00	CARE A	-	1)CARE A (29-Mar-24)	1)CARE A- (31-Mar-23)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
							2)CARE A- (01-Apr-22)	

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: For GOI guaranteed bonds

Trigger Date	Action Point
T-10*	The trustee shall create & maintain a Designated Account and the same shall be funded adequately by DVC, latest 10 (Ten) calendar days prior to the due date to the tune of the principal and /or accrued interest repayment obligation of the Bonds. If the account of the trustee is not funded to the requisite extent by T-10 calendar days, it shall constitute an Event of Default on the part of DVC.
T-8	In case the Designated Account is not funded by DVC to the requisite extent latest by eight calendar day prior to the due date of payment/repayment of interest and/or principal amount, the Trustee shall forthwith invoke the GoI guarantee by sending notice of invocation of the Guarantee to GoI.
T-1	GoI shall without demur, reservations and recourse at least one day before the due date, deposit/ transfer the principal and /or accrued interest amount in the designated account as per the Notice of invocation of guarantee by the Trustee.

* T being the due date for payment/repayment of interest and/or principal.

(In case any of the trigger dates fall on a Sunday or a public holiday, the previous working day shall be reckoned as the trigger date).

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds	Complex
2	Fund-based - LT-Cash Credit	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Term Loan-Long Term	Simple
5	Term Loan-Short Term	Simple
6	Un Supported Rating	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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About us:

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