

## BSES Yamuna Power Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	1,676.27 (Reduced from 1,904.45)	CARE BBB+; Positive	Upgraded from CARE BBB-; Stable
Short-term bank facilities	352.00	CARE A2	Upgraded from CARE A3

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings upgrade is primarily driven by approval received from Delhi Electricity Regulatory Commission (DERC) for regulatory assets (RAs) amounting to ₹8419 crore (True up for FY21), as against earlier approved amount of ₹3111 crore of RAs (True up upto FY20). These RAs have been approved because the DERC has recognised a difference between cost reflective tariffs and the prevailing tariff, based on which, the company was billing and recovering from its customers. These have to be recovered through means including increase in tariffs in a time bound manner as laid down in regulatory guidelines and additional subsidy receipt among others. This approval has substantially reduced gap between regulatory assets as approved by DERC and what has been booked by the BYPL's in its books of account to ₹1,084 crore up to FY21. However, the procedure of liquidating approved regulatory assets is yet to be finalised by the regulator and the resolution of which will remain a key monitorable for the rating.

Ratings continue to factor in BSES Yamuna Power Limited (BYPL's) status as a monopoly for power distribution in its licensed territories in Delhi and the cost-plus nature of its business with assured returns, subject to meeting operational efficiency norms. This is further supported by a strong operating performance over a sustained period, as evidenced by aggregate technical and commercial (AT&C) losses and transmission and distribution (T&D) losses remaining well within the normative levels. The power purchase adjustment charge (PPAC) provision enabled the company to recover power purchase cost spikes to a larger extent, resulting in relatively steady and predictable cashflows. Ratings favourably factors in higher PPAC allowed by DERC in the last 2-3 years, which has compensated lack of tariff hikes. The continued RAs surcharge provision also partially offsets limited tariff hikes over the years. This has improved the company's financial profile, enabling it to meet operating and financial obligations comfortably. These factors have led to comfortable liquidity as evidenced by low debt levels, prompt payment of all power purchase creditors (barring those from Delhi state government owned gencos & Transco), and the company largely funding its capital expenditure primarily by internal accruals leading to low debt levels and comfortable leverage position and improved liquidity evident from cash and cash equivalents of ₹1,240 crore as on December 31, 2024. Payout of subsidy from Government of Delhi has been timely, which supports the ratings.

Ratings are constrained by lack of clarity on liquidation of regulatory assets exposing the company to regulatory risk. Moreover, high levels of overdue creditors and mechanism for settlement remains an area of concern. However, CARE Ratings notes that major portion of outstanding creditors to state owned gencos and transco is also a constraining factor. Issuance of tariff order and true up orders has been delayed in the past with last true up order issued in July 2024 for FY21. Hence, the company is exposed to regulatory risk. The Business Plan Regulations (BPR) 2023 rolled out by DERC, which stipulate reducing return on equity from 16% to 14% on a post-tax basis for wheeling and retail businesses, also temper rating strengths.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Favourable regulatory proceedings leading to substantial reduction in regulatory deferral account balance.
- Liquidation criteria (including tariff hike) of regulatory assets by DERC and recovery of regulatory assets.
- Significant reduction in power purchase creditor and debt outstanding on annual basis.

#### Negative factors

- More-than-envisaged increase in revenue gap from current level.
- Higher-than-envisaged increase in overall gearing (adjusted for power purchase creditor).
- Up streaming cash flows to the parent company, weakening BYPL's liquidity.

### Analytical approach: Standalone

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Outlook:** Positive

Revision in the outlook of company from 'Stable' to 'Positive', factors in the expected improvement in financial profile considering substantial increase in the regulatory revenue gap approved by the DERC. Clarity on procedure for time bound liquidation of regulatory asset in the near term shall be a key monitorable.

**Detailed description of key rating drivers:****Key strengths****Substantial approval of regulatory assets in the true up order of FY21**

In the recent true-up order for FY21 dated July 19, 2024, DERC recognised total regulatory assets of ₹8,419 crore, a significant increase from the previously approved ₹3,111 crore at the end of FY20. With approval of RAs in the true-up, gap between the RAs per DERC and RAs per BYPL has significantly reduced from ₹5,546 crore in FY20 to ₹1,084 crore in FY21.

The management expects further improvements in approved RAs in the true-up and tariff orders of FY22 to FY25. CARE Ratings has taken comfort from the regulator's approval of RAs for the revenue gap. However, liquidation of these regulatory assets will remain a key monitorable for the rating.

**Provision of PPAC, RAs surcharge and pension trust surcharge partly mitigates the stagnant tariff structure**

Despite limited tariff hike and reduced fixed charges in past orders, DERC has continued with 8% surcharge for recovery of RAs. In FY24 and FY25 (upto December 2024) DERC had allowed higher PPAC weighted average rate of 30.9% and 38.8% respectively to offset increase in power purchase cost due to higher coal and gas costs, higher imported coal blending and true-up orders for central power generating stations/ transmission utilities, DERC has allowed higher PPAC to be billed to consumers to recover under recovery of energy charge. This has improved higher power purchase cost absorption, improving the company's cash flows.

DERC in its Tariff Order had allowed a surcharge of 7.00% (w.e.f. October 01, 2021) towards recovery of Pension Trust Surcharge of erstwhile DVB Employees/Pensioners. Accordingly, the company is billing and collecting it from consumers for onward payment to the Pension Trust monthly.

**Regulated monopoly**

BYPL is one of the five distribution companies (discoms) of Delhi and supplies electricity to ~2.01 million customers across Central and East Delhi. Being the sole power distributing licensee in its territory, BYPL operates in a cost-plus tariff regime. It can recover cost incurred (subject to approval from DERC), return on equity and generate additional income from incentive subject to meeting normative parameters.

**Healthy operational efficiency**

Since privatisation of Delhi's power distribution sector in FY03 (refers to April 01 to March 31), BYPL's AT&C loss has consistently reduced and remained well below the national average. In FY24, BYPL's T&D and AT&C loss continued to be at satisfactory level of 7.07% (FY23: 7.27%) and 6.88% (FY23: 6.47%) respectively driven by higher billing and collection efficiency of 92.93% (FY23: 92.73%) and 100.20% (FY23: 100.86%) respectively.

BYPL has been able to achieve this through regularly upgrading distribution infrastructure and measures initiated. Its collection efficiency is supported by healthy collection through digital channels, which has increased year-on-year and stood at 92.69% in FY24 (FY23: 91.29%).

**Improved financial health and coverage metrics**

BYPL's leverage has improved, as evidenced by a better total outside liabilities to total net worth (TOL/TNW) ratio, which stood at 2.67x as of March 31, 2024, down from 2.91x in FY23. This improvement is due to increased profitability from PPAC recovery and timely debt servicing according to the debt schedule. Despite planned capital expenditures for network upgrades, the company's TOL/TNW is expected to decrease further. The company also indicated that future capital expenditures will be funded through internal accruals without taking on additional debt.

**Key weaknesses****Regulatory risk associated with liquidation method of regulatory asset**

Issuance of tariff order and true up orders has been delayed in the past with last true up order issued in July 2024 for FY21. Hence, the company is exposed to regulatory risk.

As of March 31, 2024, regulatory deferral account recognised in the company's books stands at ₹10,553 crore (previous year: ₹9,744 crore). Revenue gap has increased primarily due to higher power purchase costs, lower average sales realisation, and lower recovery of carrying costs and surcharge amounts. In the recent true-up order for FY21 issued by DERC in July 2024, total regulatory assets of ₹8,419 crore were recognised by DERC. However, the method of liquidation of these RAs is yet to be finalised by the regulator and will be a key rating monitorable.

#### **High outstanding liability against creditors for power purchase**

Due to delays in tariff orders, there has been a substantial revenue gap and under-recovery of carrying costs year after year, leading to a significant buildup of RAs for the company. The under-recovery of power purchase costs has resulted in an increase in creditors.

On May 12, 2016, the Hon'ble Supreme Court, in response to Contempt Petitions filed by Delhi power generators, directed the company to pay 70% of current dues until further orders. Consequently, the company has been paying only the principal creditor, leading to the accumulation of Late Payment Surcharge (LPSC) every year, which increased the total amount owed to creditors.

There is a higher contingent liability due to differential LPSC rates applied by BYPL and Delhi Transco and Gencos. BYPL had booked LPSC at 15% and 18% per annum until FY21 based on terms of respective power purchase agreements (PPA). Following an advisory issued by the Ministry of Power (MoP) on August 20, 2020, to reduce the LPSC to 12% per annum, BYPL wrote back a liability of ₹1,301 crore in FY21 (restated). This adjustment also led to a reduction in LPSC in the power purchase creditors of BYPL. However, generators have disputed the lower LPSC rate, and accordingly, the company has reported the differential amount as a contingent liability. The matter is currently sub-judice in the appropriate forum.

#### **Tightening of normative parameters:**

Vide Business Plan Regulations (BPR) 2023, DERC reduced return on equity from 16% to 14% on post tax basis for wheeling and retail businesses. This may have negative impact on the company's profitability. Borrowing cost has been capped and significant increase in BYPL's interest rate may have bearing on its profitability. The company has challenged regulations, and the matter is sub-judice.

#### **Liquidity: Adequate**

Adequate liquidity is demonstrated by a sufficient cushion in accruals and the retention of LPSC creditors against repayment obligations, and internal accruals committed for capital expenditures. The company plans to fund the network upgrades in medium term from internal accruals and consumer contributions. Improved recovery of incremental power purchase costs through PPAC has improved the company's liquidity position. As of December 31, 2024, free cash balance stood at ₹1240 crore, with two quarters of funded debt service reserve account (DSRA) amounting to ₹115 crore. The company's fund-based working capital utilisation has been ~10% for 12-months ending September 2024.

#### **Applicable criteria**

[Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Rating of Short-Term Instruments](#)

[Infrastructure Sector Ratings](#)

[Power Distribution Companies](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power distribution

BYPL was incorporated in July 2001 and is part of the Reliance ADA group. The group through RInfra (rated CARE D [INC]) holds 51% stake in BYPL and 49% is held by Government of Delhi through DPCL. BYPL was formed due to privatisation of Delhi's power sector and unbundling of Delhi Vidyut Board (DVB) in July 2002. BYPL is engaged in distribution, including wheeling and retail supply of electricity to an area spread over 160 sq. Kms with 2.01 million customers across Central and East Delhi. The company's consumer mix largely includes domestic, commercial, and industrial customers and supplying to DMRC. Its power distribution business is governed by tariff regulations set by DERC, which ensures cost recovery and a post-tax return on equity of 14%.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	6,479.5	7,183.3	4,835.0
PBILDT	226.7	636.6	1,191.2
PAT	555.5	382.1	201.4
Overall gearing (times)	0.35	0.25	NA
Interest coverage (times)	1.10	3.45	NA

A: Audited UA: Unaudited; NA: Not available; Note: 'these are latest available financial results' analytically adjusted under CARE Ratings' methodology, further LPSC is reclassified under operating cost for analysis purpose.

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**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
Fund-based - LT- Cash Credit		-	-	-	200.00	CARE BBB+; Positive
Fund-based - LT-Term Loan		-	-	March, 2028	1476.27	CARE BBB+; Positive
Non-fund-based - ST-BG/LC		-	-	-	352.00	CARE A2

**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	Fund-based - LT-Term Loan	LT	1476.27	CARE BBB+; Positive	-	1)CARE BBB-; Stable (27-Feb-24)	1)CARE BBB-; Stable (29-Nov-22)	1)CARE BBB-; Stable (05-Oct-21)
2	Fund-based - LT-Cash Credit	LT	200.00	CARE BBB+; Positive	-	1)CARE BBB-; Stable (27-Feb-24)	1)CARE BBB-; Stable (29-Nov-22)	1)CARE BBB-; Stable (05-Oct-21)
3	Non-fund-based - ST-BG/LC	ST	352.00	CARE A2	-	1)CARE A3 (27-Feb-24)	1)CARE A3 (29-Nov-22)	1)CARE A3 (05-Oct-21)

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

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

**Annexure-5: Lender details**

To view 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.

### Contact us

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