

Punjab State Power Corporation Limited

May 23, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable (Double B Plus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ (A Four Plus) and Withdrawn
Total Bank Facilities	-		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed the outstanding ratings of 'CARE BB+; Stable / CARE A4+ [Double B Plus; Outlook: Stable/ A Four Plus] assigned to the bank facilities of Punjab State Power Corporation Limited (PSPCL or the company) and has simultaneously withdrawn the same with immediate effect. The above action has been taken at the request of PSPCL and 'No Objection Certificate' received from the lenders that have extended the facilities rated by CARE.

The ratings of PSPCL takes into account the exposure of PSCPL to regulatory risk in terms of regular revision in tariff and full pass through of costs, its high dependence on subsidy payments from Government of Punjab (GoP) coupled with instances of delay in receipt of subsidy, modest debt coverage indicators and the increasing Aggregate Technical and Commercial (AT&C) losses. However, the ratings continue to derive comfort from GoP's support to the utility. The ratings also take note of improvement in the capital structure with one time conversion of state govt. loans under UDAY to equity.

Detailed description of the key rating drivers

Key Rating Weaknesses

Regulatory risks related to revision in tariffs

PSPCL faces significant regulatory risks associated with the revision in tariffs. The risks not only pertain to delay in receipt of tariff orders but can also be towards non approval of expenses by the regulatory commission. The company has a track record of limited tariff hike in the past and for FY23 (refers to the period from April to March) as well. This has a bearing on the discom's profitability amidst rising power purchase cost and overheads.

Dependence on subsidy payments from GoP with instances of delay in receipt of subsidy

PSPCL has fair dependence on subsidy evidenced from the fact that roughly 32% of the total power sales booked in FY21 comprised tariff subsidy. Due to the high-leveraged finances of the Punjab government, there has been some delay in release of subsidy to the company. As on March 31, 2021 the subsidy receivable from GoP stood at Rs. 7,930 crore (PY: Rs. 5,576 crore) due to shortfall in subsidy receipt for FY21 and interest on delayed payment of subsidy. The company has met the above gap through borrowings from banks and financial institutions.

Modest debt coverage indicators

The company posted net profit of Rs. 1,446 crore in FY21 as against a loss of Rs. 1,158 crore in FY20. The interest coverage ratio of the company has improved to 2.58x in FY21 (PY: 1.04x) on account of lower interest cost. Total debt to gross cash accruals ratio of the company improved to 5.67x in FY21 (PY: 96.89x).

An increase in receivables (including subsidy) along with higher capex has led to increase in debt from 15,593 crore as on March 31, 2020 to Rs. 16,664 crore as on February 28, 2022. Coverage metrics stood modest as a result of high debt repayment.

Moderate AT&C losses, weakened during FY21

PSPCL's AT&C losses stood at 18.41% in FY21 as against 14.00% in FY20 & 11.28% in FY19. AT&C losses have moderated from previous year mainly due to lower collection efficiency in FY21 brought on due to lockdown restrictions on account of the Covid 19 pandemic. The same is also higher than the AT&C loss levels approved by the regulator in the tariff order resulting into under recovery of costs.

Key Rating Strengths

Support from GoP

PSPCL is the successor entity of the erstwhile PSEB and enjoys regulated monopolies for generation and distribution of power in the state of Punjab. Over the years, there has been continuous support from GoP in the form of equity as well as payment of subsidy for agricultural and below poverty line supplies. In the past, GoP has also extended support by way of guarantee to source the debt at competitive rates. The company has received the subsidy of Rs. 9,657 crore in FY21 against the subsidy booked of Rs. 11,054 crore translating to a realization of 87.36% (PY: 101.98%).

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

Liquidity: Adequate

The liquidity profile of the company is adequate supported by moderate utilization of working capital limits coupled with regular receipt of subsidy from GoP. The company has borrowed short term loans to meet shortfall in the gross cash accruals vis-à-vis total debt repayment obligations in FY22. Given its parentage and substantial financial support from the government of Punjab, the entity is expected to have comfortable financial flexibility (in terms of refinancing and additional borrowing) going forward.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of Ratings](#)

[Criteria on assigning outlook and credit watch to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology – Power Distribution Companies](#)

[Rating Methodology - Power Generation Projects](#)

About the company

PSPCL is an unbundled entity of erstwhile Punjab State Electricity Board (PSEB). PSEB was statutory body and enjoyed the status of a regulated monopoly for generation, transmission and distribution of power in the state of Punjab. The Govt. of Punjab vide its notification dated April 16, 2010 unbundled PSEB into two companies viz PSPCL and PSTCL. PSPCL has been entrusted with the functions of generation and distribution of power in the state whereas the transmission function is undertaken by PSTCL. PSPCL operates its own power plants and also gets power from Bhakra Beas Management Board (BBMB). The company is also allocated power from the central sector power projects. It has a total power generation capacity of 2811 MW (thermal power capacity of 1,760 MW and hydel power capacity of 1,051 MW).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	33,145	34,383	28,057
PBILDT	3,197	4,368	2,525
PAT	-1,158	1,446	499
Overall gearing (times)	0.63	0.57	N.A.
Interest coverage (times)	1.04	2.58	2.40

A: Audited; Prov.: Provisional, 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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based-Short Term		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Bonds	LT	-	-	-	-	-	1)Withdrawn (16-Sep-19) 2)CARE BBB (SO); Negative (05-Apr-19)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable (22-Jun-21) 2)CARE BB+; Stable (07-Apr-21)	1)CARE BB+; Stable (29-Jun-20) 2)CARE BB+; Stable (07-Apr-20)	1)CARE BB+; Stable (05-Apr-19)
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB+; Stable (22-Jun-21) 2)CARE BB+; Stable (07-Apr-21)	1)CARE BB+; Stable (29-Jun-20) 2)CARE BB+; Stable (07-Apr-20)	1)CARE BB+; Stable (05-Apr-19)
4	Non-fund-based-Short Term	ST	-	-	-	1)CARE A4+ (22-Jun-21) 2)CARE A4+ (07-Apr-21)	1)CARE A4+ (29-Jun-20) 2)CARE A4+ (07-Apr-20)	1)CARE A4+ (05-Apr-19)
5	Fund-based - ST-Term loan	ST	-	-	-	1)Withdrawn (22-Jun-21) 2)CARE A4+ (07-Apr-21)	1)CARE A4+ (29-Jun-20) 2)CARE A4+ (07-Apr-20)	1)CARE A4+ (05-Apr-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: N.A.**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based-Short Term	Simple

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

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.

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