

Kerala State Power and Infrastructure Finance Corporation Limited

November 23, 2022

Rating

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|------------------------------|---|--|--|
| Long-term bank facilities | 40.00 | CARE BB+; Stable; Issuer not cooperating* (Double B Plus; Outlook: Stable; Issuer not cooperating*) | Rating continues to remain under the 'Issuer not cooperating' category |
| Total bank facilities | 40.00 (₹ Forty crore only) | | |

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had, vide its press release dated March 01, 2021, placed the rating of Kerala State Power and Infrastructure Finance Corporation Limited (KSPIFCL) under the 'issuer not cooperating' category as the company had failed to provide information for monitoring of the rating. KSPIFCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls, and emails dated July 18, 2022, July 28, 2022, and August 7, 2022. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which, however, in CARE Ratings' 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.

Detailed description of the key rating drivers

At the time of the last rating on September 01, 2021, the following were the rating strengths and weaknesses (updated for information available from website, registrar of companies (FY21 [refers to the period from April 01 to March 31] financials) and other public information):

Key rating weaknesses

Moderate risk management systems: KSPIFCL uses the financial software 'Tally'. The operational data is maintained in the form of excel. The credit appraisal for loans less than ₹5 crore is approved by the managing director and for a loan size greater than ₹5 crore, the appraisal is approved by the board. The financial viability of the loan customers is not done extensively for short-term loans, rather, the company collects reports such as project reports, annual reports, bankers certificates, and guarantees from loan customers. However, the tripartite agreement mitigates the risk to a certain extent. The company has tied up with Keltron (a Government of Kerala undertaking) to develop MIS system for the company, which is in the process of development.

Moderate scale of operations: Headquartered in Trivandrum, Kerala, the company operates only from its head office. The company has a lean organisational structure with nine employees and the entire day-to-day operations are performed by the company secretary under the supervision of the managing director. Disbursements improved from ₹146 crore in FY20 to ₹196 crore in FY21 (refers to the period from April 1 to March 31) and the loan portfolio stood at ₹107 crore as on March 31, 2021, as against ₹108 crore as on March 31, 2020.

Moderate asset quality: The company has started recognising non-performing assets (NPAs) only from FY16, as the same was not mandatory for government non-banking financial companies (NBFCs) earlier. Also, the NPA is recognised only when the payment is completely stopped by the customer. However, from March 2019, the company had to follow the prudential norms as per the Reserve Bank of India (RBI) guidelines, as the exemptions given to government NBFCs were withdrawn. The gross NPA (GNPA) and net NPA (NNPA) ratios stood at 1.68% and 0.00%, respectively, as on March 31, 2021. Since a major portion of the loan portfolio is towards public sector entities and the tripartite agreements with the entities, it ensures the repayment of principal and interest. All the loans are secured.

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

Key rating strengths

Ownership by the Government of Kerala: Kerala Power Finance Corporation Limited (KPFCL) was promoted by the Government of Kerala and the Kerala State Electricity Board Limited (KSEBL) mainly for providing financial assistance to power projects. Later, the Government of Kerala has given approval for providing financial assistance to infrastructure projects and the name of KPFCL was changed to KSPIFCL and registered as an NBFC. The Government of Kerala holds 59% of equity in KSPIFCL and the rest 41% is held by KSEBL, as on March 31, 2021. KSEBL is 100% held by the Government of Kerala. Headquartered in Trivandrum, Kerala, the company operates only from its head office.

Experienced board members with representatives from the Government of Kerala: Currently, KSPIFCL's board constitutes of six members. The Government of Kerala appoints the managing director and executive director for KSPIFCL. VR Hari, IRS, is the Managing Director and Preman Dinaraj, IA and AS, is the Chairman. The other board members are Sobha VR (Joint Secretary, Finance Department, Government of Kerala), Murali S (Joint Secretary, Industries Department, Government of Kerala), KC Sahadevan (CGM, Kerala State Co-operative Bank Limited), and Dinesha Aroor (Deputy GM, SME Business Unit, LHO, SBI). All the board members have significant experience.

Tripartite agreement for loan repayment with KSEBL suppliers: KSPIFCL offers financial assistance by way of short-term loans and working capital loans mainly to the power component suppliers of KSEBL. For short-term loans, the repayments from the customers are ensured by way of tripartite agreements between KSPIFCL, KSEBL or the Agency for Non-conventional Energy and Rural Technology (ANERT), and the customer. The tripartite agreement ensures that the payment (principal + interest) is directly made to KSPIFCL from KSEBL and the excess funds are returned to the customers on completion of work. For the orders with Tamil Nadu Generation and Distribution Corporation (TANGEDCO) and other government entities, KSPIFCL has set up an escrow account from where the payments to the company are made.

Comfortable profitability, leverage indicators, and capitalisation profile: The net interest margin (NIM) improved from 9.04% in FY20 to 9.73% in FY21. With nil provisions during FY21, the return on total assets (ROTA) increased from 5.26% in FY20 to 6.45% in FY21, although the opex increased from 1.34% in FY20 to 1.45 in FY21. As on March 31, 2021, the company had borrowings of ₹11.99 crore in the cash credit (CC) facility on a total sanctioned limit of ₹40 crore and the overall gearing stood at 0.13x as on March 31, 2021, as against 0.26x as on March 31, 2020.

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE Policy on Default Recognition](#)

[Financial ratios - Financial Sector](#)

[Rating Methodology- Non-Banking Finance Companies](#)

About the company

KPFCL was incorporated in March 1998 as a public limited company under the Companies Act 1956. KPFCL was mainly promoted for providing financial assistance to power projects. The Government of Kerala, vide G.O (MS) No.21/2006/PD dated 03-08-2006, approved for providing financial assistance to other infrastructure projects and the name of the company was subsequently converted to its current name, KSPIFCL. The Government of Kerala holds 59% of the equity and the rest (41%) is held by KSEBL. KSEBL, in turn, is 100% held by the Government of Kerala. KSPIFCL offers financial assistance by way of short-term loans and working capital loans mainly to the power component suppliers of KSEBL. Only during FY16, KSPIFCL started extending loans to infrastructure projects. The short-term loans are given against the purchase orders and supply invoices (after completion of work). KSPIFCL operates through its head office located in Kerala. The loan portfolio stood at ₹107 crore as on March 31, 2021. During FY21, the company reported a profit-after-tax (PAT) of ₹7.21 crore on a total operating income (TOI) of ₹12.00 crore as against a PAT of ₹6.08 crore on a TOI of ₹13.05 crore in FY20.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | H1FY23 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| TOI | 12.00 | NA | NA |
| PAT | 7.21 | NA | NA |
| Interest coverage (times) | - | NA | NA |
| Total assets | 109.39 | NA | NA |
| Net NPA (%) | 0.00 | NA | NA |
| ROTA (%) | 6.45 | NA | NA |

A: Audited.

Status of non-cooperation with previous CRA: Not applicable**Any other information:** Not Applicable**Rating history for the last three years:** Please refer Annexure-2**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3**Complexity level of the various instruments rated for this company:** Annexure-4**Bank lender details for this company:** 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 | - | - | - | - | 40.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* |

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 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Cash credit | LT | 40.00 | CARE BB+; Stable; Issuer not cooperating* | - | 1)CARE BB+; Stable; Issuer not cooperating * (01-Sep-21) | 1)CARE BBB-; Stable; Issuer not cooperating * (01-Mar-21) | 1)CARE BBB-; Stable (14-Jan-20) |

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

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

| Sr. No. | Name of Instrument | Complexity Level |
|---------|-----------------------------|------------------|
| 1. | Fund-based - LT-Cash Credit | Simple |

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.

Annexure-5: Bank lender details for this company

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

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact 1

Name: Sudhakar P
Phone: +91-44-2850 1003
E-mail: p.sudhakar@careedge.in

Analyst contact 2

Name: Ravi Shankar R
Phone: +91-44-2850 1016
E-mail: ravi.s@careedge.in

Relationship contact

Name: Pradeep Kumar V
Phone: +91-44-2850 1000
E-mail: pradeep.kumar@careedge.in

About us:

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