

OCTOBER 06, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES/INSTRUMENTS OF CESC LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1,207.62 (reduced from 1,324.91)	'CARE AA' (Double A)	Reaffirmed
Short-term Bank Facilities	250.00	CARE A1+ (A One plus)	Reaffirmed
Total Facilities	1,457.62 (Rupees One Thousand Four Hundred Fifty Seven Crore and Sixty Two Lakhs only)		
Commercial Paper (CP) Issue*	1,050.0 (Rupees One Thousand and Fifty Crore only)	CARE A1+ (A One Plus)	Reaffirmed

*CESC maintains that the aggregate outstanding under STD/CP and cash credit shall be within the sanctioned fund-based limit.

Rating Rationale

The ratings continue to derive strength from the established track record of CESC Ltd (CESC), long experience of the promoters, professional and highly qualified management team, high operational efficiency reflected by better-than-normative Plant Load Factor (PLF) & T&D loss, full metered supply with almost 100% collection efficiency, healthy financial profile with significant cash accruals, low gearing and high level of cash surplus (parked in fixed deposits and mutual funds).

The ratings also take into account imposition & payment of additional levy on coal and re-allocation of coal mine assuring uninterrupted coal supply to CESC. The ratings are constrained by CESC's substantial exposure in subsidiaries for implementation of power projects & funding losses and regulatory risks.

The ability of the company to successfully commence operation in the on-going projects under subsidiary companies and approval to pass through additional levy on coal by Regulators are the key rating sensitivities.

Background

CESC Ltd (CESC), incorporated in 1978 and belonging to the RP-Sanjiv Goenka group, is a vertically-integrated power utility engaged in generation, transmission and distribution of electricity to the consumers in its licensed area, covering Kolkata, Howrah and adjoining areas. As on June 30, 2015, the company has three thermal (coal based) power stations with total generating capacity of 1,125 MW serving 2.9 mn consumers in its 567 sq km licensed area. The peak load, so far, handled is more than 2,000 MW. CESC caters to 80-85% of its power requirement out of own generation and balance out of power purchase.

CESC earned PBILDT of Rs.1,673 crore and PAT of Rs.698 crore on operating income of Rs.6,234 crore in FY15 (refers to the period April 1 to March 31). In Q1FY16, CESC earned a PAT of Rs.152 crore on operating income of Rs.1,729 crore.

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Note: Mr. Y. H. Malegam, who is an independent director on the board of Firstsource Solutions Ltd (an RP-Sanjiv Goenka group company), is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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