

OCTOBER 27, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1,457.62 (enhanced from 1,207.62)	'CARE AA' (Double A)	Reaffirmed
Short-term Bank Facilities	250.00	CARE A1+ (A One plus)	Reaffirmed
Total Facilities	1,707.62 (Rupees One Thousand Seven Hundred and Seven Crore and Sixty Two Lakh only)		
Instruments			
Commercial Paper (CP) Issue*	1,300.00 (Rupees One Thousand and Three Hundred crore only)	CARE A1+ (A One Plus)	Reaffirmed

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

Rating Rationale

The ratings assigned to the bank facilities/instruments of CESC Ltd (CESC) continue to derive strength from the established track record of CESC, long experience of the promoters, professional and highly qualified management team, high operational efficiency, strong Transmission & Distribution (T&D) network, full metered supply with almost 100% collection efficiency, healthy financial risk profile with significant cash accruals, moderate overall gearing ratio and high level of cash surplus (parked in fixed deposits and mutual funds). The ratings are also constrained by CESC's substantial exposure in subsidiaries for implementation of power projects & funding losses and exposure to regulatory risks.

The ability of the company to maintain profitability, satisfactory capital structure and a comfortable liquidity profile, also stability and steady revenue generation from the projects commercialized in subsidiaries are the key rating sensitivities.

Background

CESC, belonging to 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 and Howrah. As on June 30, 2016, the company has three thermal (coal based) power stations with total generating capacity of 1,125 MW serving 3 mn consumers in its 567 sq km licensed area. The combined installed capacity (thermal) of the group has doubled to 2,365 MW with commissioning of power plants under the subsidiaries in Haldia, WB (600 MW) and Chandrapura, Maharashtra (600 MW). The group also operates wind mills of 86 MW in Rajasthan, Gujarat and MP and solar power plant of 15 MW in Tamil Nadu. CESC has also received the power distribution franchisee for Kota and Bharatpur from Jaipur Vidyut Vitaran Nigam Ltd through two wholly owned subsidiaries. The peak load, so far, handled by CESC is 2,035 MW. In FY16, CESC catered to 60% of its power requirement out of own generation, 30% from HEL and balance out of purchase from other utilities.

CESC has a highly qualified and experienced employee pool having large experience in their related field. Most of the key professionals have long association with the group.

CESC earned PBILDT of Rs.1,727 crore and PAT of Rs.707 crore on operating income of Rs.6,535 crore in FY16 (refers to the period April 01 to March 31). In Q1FY17, CESC earned a PAT of Rs.174 crore on operating income of Rs.1,912 crore.

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

Mr. Y. H. Malegam, who is an independent director on the board of Firstsource Solutions Ltd, 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.

****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.

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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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