CESC Ltd
January 17, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	1822.62 (Enhanced from 1457.62)	**CARE AA; Stable [Double A; Outlook: Stable]**	Reaffirmed
Short-term Bank Facilities	250.0	**CARE A1+ [A One Plus]**	Reaffirmed
Total	**2,072.62 (Rupees Two Thousand Seventy Two Crore and Sixty Two Lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities 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.

Detailed description of the key rating drivers

CESC is a part of RP-Sanjiv Goenka Group. The group has interest across diverse business sectors such as power & natural resources, infrastructure, carbon black, BPO, education, real estate, retail and media & entertainment. CESC is an integrated power utility engaged in the business of generation, transmission and distribution of electricity to the consumers in its licensed area.

CESC has a strong T&D network with continuous investment in infrastructure development. Currently, it has around 21,531 ckt km of distribution network, of which around 566 ckt km has been set up in FY16. This has resulted in consistent decline in T&D loss over the last few years with T & D loss of 11.4% in FY16 (much lower than the normative levels). The company's PAF remained well above the normative levels, ensuring full recovery of capacity charge under the availability based tariff regime. The company has almost 100% metered supply in its command area with over 99.5% collection efficiency in FY16.

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

The financials of CESC continues to remain healthy with operating income of Rs.6,535 crore and a PAT of Rs.707 crore in FY16 as against an operating income of Rs.6,233 crore and a PAT of Rs.698 crore in FY15. In H1FY17, CESC earned a PAT of Rs.416 crore on operating income of Rs.3,740 crore.

CESC's exposure to the subsidiary/associate companies as on March 31, 2016 was Rs.5,376 crore largely for the setting up of thermal power generating stations aggregating 1200 MW at Chandrapur, Maharashtra (through DIL) and Haldia, WB (through HEL).

Power utilities are exposed to regulatory risk associated with delay in receipt of tariff order and non-allowance of expenses by the Commission.

Analytical approach followed: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments
Rating Methodology - Infrastructure Sector Ratings
Rating Methodology – Private Power Producers Ratings

Company 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.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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Note on complexity levels of the rated instrument: *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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Annexure 1

Details of Facilities :-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Cash Credit	-	-	-	1300.00	CARE AA; Stable
Term Loan-Long Term	-	-	Jun. 2025	522.62	CARE AA; Stable
Non-Fund Based - ST-BG/LC	-	-	-	250.00	CARE A1+

Annexure 2

Rating History for last three years :-

		Current Ratings				Chronology of Rating history for past three years		
Sr. No.	Name of the Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Commercial Paper	ST	1300.00	CARE A1+	-	1)CARE A1+ (October 06, 2015)	1)CARE A1+ (December 03, 2014) 2)CARE A1+ (October 13, 2014)	1)CARE A1+ (October 10, 2013)
2.	Fund Based - LT-Cash Credit	LT	1300.00	CARE AA; Stable	-	1)CARE AA (October 06, 2015)	1)CARE AA (December 03, 2014) 2)CARE AA (October 13, 2014)	1)CARE AA (October 10, 2013)
3.	Term Loan-Long Term	LT	522.62	CARE AA; Stable	-	1)CARE AA (October 06, 2015)	1)CARE AA (December 03, 2014) 2)CARE AA (October 13, 2014)	1)CARE AA (October 10, 2013)
4.	Non-Fund Based - ST-BG/LC	ST	250.00	CARE A1+	-	1)CARE A1+ (October 06, 2015)	1)CARE A1+ (December 03, 2014) 2)CARE A1+ (October 13, 2014)	1)CARE A1+ (October 10, 2013)

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