CESC Limited (Revised)

December 23, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	3,514.13 (Enhanced from 3,486.39)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	750.00	CARE A1+ (A One Plus)	Reaffirmed
Total Bank Facilities	**4,264.13 (Rs. Four Thousand Two Hundred Sixty-Four Crore and Thirteen Lakhs Only)**		
Proposed Long term –Non-Convertible Debenture Issue	200.00 (Rs. Two Hundred crore only)	CARE AA; Stable (Double A; Outlook: Stable)	Assigned
Proposed Long term –Non-Convertible Debenture Issue	125.00 (Rs. One hundred twenty five crore only)	CARE AA; Stable (Double A; Outlook: Stable)	Assigned
Proposed Long term –Non-Convertible Debenture Issue	275.00 (Rs. Two hundred seventy five crore only)	CARE AA; Stable (Double A; Outlook: Stable)	Assigned

Details of facilities/instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities and instrument issue of CESC Limited (CESC) takes into account the company being the sole power distribution licensee in its coverage area in Kolkata and power distribution license being valid till September 2038 giving long-term earnings visibility, high operational efficiency reflected in better than normative Plant Availability Factor (PAF), Plant Load Factor (PLF), Station Heat Rate (SHR) & AT&C losses and the financial flexibility that the company enjoys by virtue of being part of RP-SG group. Moreover, the group has demonstrated its ability to refinance lumpy debt repayment in the past (residual maturity of term debt excluding consumer deposit is around 4.25 years). The rating also derives strength from the established track record with long experience of the promoters having presence across diverse businesses, professional and highly qualified management team, strong market positioning in its licensed area with integrated nature of operations, Transmission & Distribution (T&D) losses lower than normative, full metered supply with almost 100% collection efficiency, cost-plus based tariff supported by pass-through of increase in fuel and power purchase cost through monthly variable cost adjustment (MVCA), availability of fuel linkage and captive coal mine, satisfactory financial performance in FY20 (refers to the period from April 01 to March 31) with moderation in H1FY21 on account of lockdown due to covid-19 pandemic and adequate liquidity position.

The ratings are however, constrained by CESC's moderation in financial risk profile as a result of high level of consolidated debt and moderate debt coverage indicators with company resorting to refinancing of loan due to growing uncertainty in the regulatory space with last tariff order received for FY18 and last Annual Performance Review (APR) received for FY14 which has resulted in building up of recoverable regulatory asset base of Rs.737.23 crore emanating from fuel and power purchase cost (the balance sum represent accounting impact of non-cash items like deferred tax and exchange fluctuations being non recoverable in nature out of total Regulatory Asset of Rs.4,725 crore with corresponding differential sum as an offset item appearing in Deferred Tax Liability) as on March 31, 2020 and high exposure in group companies. Going forward, it is expected that additional support from CESC to group companies would be minimal.

The ratings also take note of the fact that the collection has witnessed a decline in H1FY21 on account of the average billing (based on average of 6 months – September 2019 to February 2020) done by the company due to lockdown in the country due to which meter readings could not be done. With the commencement of meter readings, CESC raised the arrears of March'20 to May'20 in the billing for the month of June'20. However, to avoid hardship to consumers, CESC decided to exclude the differential billing amount for the month of April & May 2020 in the billing for June 2020 month of all its domestic consumers thereby impacting the collections. The management expects to realize this amount by Q3FY22 instead of the earlier estimate of realizing it within FY21. Further, the billing cycle which got extended by one month due to lockdown is expected to streamline by June 2021. This would result in higher than expected outstanding receivables as on March 31, 2021. Recovery of aforesaid receivables by Q3FY22 is a key rating monitorable.

The ratings further take note of the higher than projected debt for FY21 which the company plans to avail in order to fund the increased receivables to the tune of Rs.300 crore and fund its capex requirement for undertaking Flue Gas Desulfurization (FGD) project for which the company is planning to place equipment orders by June 2021. CARE expects capex commitment of Rs.2600 crore between Q3FY21 and Q4FY24 and any capex over this quantum would be a key

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

rating monitorable.
The performance of Haldia Energy Limited (HEL; rated CARE AA-; Stable/ CARE A1+) also adds comfort to the credit risk profile of CESC. Further, improvement in the financial performance of Dhariwal Infrastructure Limited (DIL; rated CARE BBB; Stable/CARE A3) and Bikaner Electric Supply Limited also led to improvement in financial performance at consolidated level in FY20. Further, the management expects improved performance of DIL with extension of short-term PPA with Maharashtra State Power Generation Company Limited (MSPGCL) for another three months which is now valid till January 2021. Continued satisfactory performance of DIL shall be a key rating monitorable.

Rating Sensitivities
Positive Factors – Factors that could lead to positive rating action/upgrade:
- Improvement in profitability margins (PAT margin>14% on a consolidated level) with the consolidated return on networth being above 15.5% on a sustained basis.
- Improvement in consolidated overall gearing ratio below 0.6x and consolidated debt protection metrics with TDGCA going below 2.5x.

Negative Factors – Factors that could lead to negative rating action/downgrade:
- Delay in receipt of tariff order for FY19 beyond Q3FY22
- Deterioration in financial risk profile with overall gearing ratio at consolidated level going above 1.50x or deterioration in TDGCA above 12.5x.
- Any concern on liquidity on account of delay in approval of tariff, truing-up orders and fuel cost escalation pass through by WBERC. Minimum liquidity (excluding unutilized fund based limits) of Rs.800-1000 crore to be maintained on a sustained basis.
- Deterioration in operating parameters vis-à-vis normative parameters or significant tightening of normative parameters themselves.
- Higher than envisaged level of support of Rs.110-Rs.120 crore flowing to group companies (Malegaon Power Supply Limited & Kota Electricity Distribution Limited) in FY21 on a standalone basis.

Detailed description of the key rating drivers
Key Rating Strengths
Long track record
Incorporated in 1899, CESC is an integrated power utility engaged in the business of generation, transmission and distribution of electricity to the consumers in its licensed area, covering Kolkata and Howrah. The exclusive power distribution license of the company for Kolkata region being valid till September 2038.
Established group with presence across diverse business verticals
CESC is a part of RP-Sanjiv Goenka Group. The group has interests across diverse business segments such as power, infrastructure, carbon black, retail, education, BPO, and media & entertainment.
Professional and highly qualified management team
CESC has a highly qualified and experienced employee pool having large experience in their related field. CESC's improvement in operational efficiency over the years can be attributed to its sound management team.
Strong Transmission & Distribution (T&D) network with AT&C loss below normative levels
CESC has a strong T&D network with continuous investment in infrastructure development. This has resulted in consistent improvement in AT&C loss over the last few years. AT&C loss has improved substantially and continues to remain at a comfortable level of below 9% in FY20 (much lower than the normative levels for FY18). Inspite of Covid-19, the company could control the AT&C loss in H1FY21 at expected level. Given that FY19 and FY20 Tariff Orders have not yet come, any tightening in the normative AT&C loss by WBERC for FY19 onwards shall remain key rating monitorable.
High operational efficiency reflected in better than normative PAF and SHR
CESC's plants exhibit higher than normative PAF, saving in oil consumption and better than normative SHR, reflecting superior operating efficiency based on normative parameters for FY18 as the regulator has not yet approved the normative parameters for FY19 and FY20. Superior performance helps in earning additional revenue as incentive. However, any tightening in the normative parameters by the regulator for FY19 onwards shall remain key rating monitorable.
The company's PAF remains above the normative levels as defined in FY18 tariff order, ensuring full recovery of capacity charge under the availability based tariff regime. CESC's overall PLF witnessed a decline from 65% in FY19 to 62% in FY20 and further to 58% in H1FY21 due to the lockdown imposed in the country on account of Covid-19. The same started to pick up from October 2020 with PLF of 63% in that month due to increased demand. However, the PLF remained higher than the national average PLF of 55% during FY20 in view of steady fuel availability coupled with efficient operations of CESC. Though, the PLF for Budge Budge plant (750 MW) witnessed a decline from 92% in FY19 to 88% in FY20, the same continued to remain well above the normative level. The PLF of Southern plant, however, witnessed an increase from 24% in FY19 to 29% in FY20, though continued to remain lower than normative PLF as the company is purchasing power from HEL at competitive tariff. Moreover, in both FY19 and FY20, the company did not operate its Titagarh unit as the

company was able to meet its peak demand through HEL.

Full metered supply with high collection efficiency

CESC is a vertically integrated power utility engaged in the business of generation, transmission and distribution of electricity to the consumers in its licensed area, covering Kolkata, Howrah and adjoining areas. The company has almost 100% metered supply in its command area and customers are billed based on meter readings. The company's billing procedure is fully computerised and its collection efficiency was over 99.5% in FY20.

Low business risk due to regulated operations with 'cost-plus' based tariff fixation however, uncertainty emanating due to non-availability of tariff order since FY19

Power is a highly regulated sector. CESC's tariff is determined by West Bengal Electricity Regulatory Commission (WBERC) on cost-plus basis. CESC's tariff including exports presently stands at Rs.7.31/unit in FY20. The company submits its Annual Performance Review (APR) on a yearly basis. The last approved APR for CESC was approved for FY14 and the tariff order has been approved for FY18. The tariff petition for FY19, FY20 and FY21 has been filed by CESC. Receipt of FY19 tariff order by Q3FY22 remains a key rating monitorable.

Coal is the major input for the company, which has witnessed significant price volatility in the past. However, the company is insulated from the same in view of assured supply of coal & "pass on" mechanism embedded in the tariff fixation formula of WBERC. While such pass through by the regulatory authority enables the company to maintain the profitability, there is a likelihood of company facing short term liquidity mismatch in view of time taken in passing orders. To address this issue, CESC is allowed to pass on the hike in fuel cost through Monthly Variable Cost Adjustment (MVCA) mechanism, by which CESC's tariff is adjusted on monthly basis. CESC is currently charging MVCA of Re.0.29/unit from January 2017 to pass-on the increase in coal cost and other cess. However, the tariffs have remained stagnant over the last three and a half years in the absence of tariff orders for FY19 & FY20 and any further increase in MVCA.

Availability of fuel linkage and captive coal mine

CESC has signed 20 years Fuel Supply Agreement (FSA) with Eastern Coalfields Limited (ECL; from November 2012 onwards) and Bharat Coking Coal Limited (BCCL; from January 2013 onwards) (subsidiaries of Coal India Limited) for the supply of 15.95 MTPA (11.83 MTPA with ECL and 4.12 MTPA with BCCL) coal at a price approved by CIL. Further, CESC also sources its coal requirements from its captive mine in Sarisatolli. The mine was earlier de-allocated under ICML. However, the mine was reallocated to CESC from ICML through e-auction conducted by Ministry of Coal at a negative bid of Rs.470/MT. As the bid amount is not yet been allowed to be fully passed on to the consumers, CESC is operating its generating stations at optimal level together with purchasing power from HEL at competitive rates which helps in maintenance of the overall cost structure. In December 2014, CESC paid a levy of Rs.998 crore (out of total levy of Rs.1,045 crore) for coal extracted from Sarisatolli Coal Mine. The Company has applied to WBERC for recovery of additional levy of Rs.897 crore (pertaining to coal extracted from Sarisatoli Coal Mine), the approval of which is pending. In FY20, CESC sourced 41% of its coal requirements from its own coal mine, Sarisatolli (41% in FY19), 37% under FSA with Coal India Limited (36% in FY19) and balance 22% from e-auction (23% in FY19).

Satisfactory financial performance in FY20 with moderation in H1FY21

On a consolidated level, the operating income of the company witnessed a growth of 3.15% y-o-y in FY20. The PBILDT margin, however, witnessed a decline from 28.29% in FY19 to 27.81% in FY20 on account of increase in coal cost. The pass through of increase in coal cost is pending due to approval of tariff order for the year FY19 and FY20. The current tariff fixation formula ensures complete recovery of costs when operating targets are met and additional incentives for surpassing such targets. CESC has been consistently surpassing its targets in terms of PLF, usage of coal and oil, Station Heat Rate, etc., which has resulted in steady improvement in sales and cash accruals over the years along with comfortable operating margins. PAT witnessed an increase on account of significant reduction in losses of DIL and Bikaner Electricity Supply Limited. The company earned a GCA of Rs.1,494 crore vis-à-vis debt repayment obligation of Rs.1,860 crore in FY20. The shortfall in debt repayment was met out of refinancing of long term loans.

In H1FY21, the total operating income of the company witnessed de-growth of 13% y-o-y on account of fall in revenue of CESC. The fall in revenue was on account of lockdown due to covid-19 pandemic which led to reduction power demand. PBILDT margin witnessed a slight decline in H1FY21 compared to H1FY20 on account of increase in cost of energy purchased. PAT margin however, witnessed an improvement from 9.57% in H1FY20 to 10.55% in H1FY21 on account of increase in regulatory income leading to increase in PAT. Interest coverage ratio of the company witnessed a decline from 2.32x in H1FY20 to 2.10x in H1FY21 on account of reduction in PBILDT. The company earned a GCA of Rs.661 crore in H1FY21 vis-à-vis debt repayment obligation of Rs.1031 crore. The shortfall in repayment was met out of refinancing of loans and utilisation of opening cash and liquid investments which was available with the company.

On a standalone level, the total operating income of the company witnessed a slight growth of 1.18% y-o-y in FY20. The PBILDT margin increased from 19.43% in FY19 to 20.23% in FY20 on account of reduction in cost of power purchased (from Rs.5.37/unit in FY19 to Rs.5.27/unit in FY20). PAT margin witnessed a slight decline from 11.97% in FY19 to 11.59% in FY20 on account of increased capital charges. The company earned a GCA of Rs.839 crore vis-à-vis debt repayment obligation of Rs.1200 crore in FY20. The shortfall in debt repayment was met out of refinancing of long term loans.

In H1FY21, the total operating income of the company witnessed de-growth of 22% y-o-y on account of reduction in power demand from 5,970 mn units in H1FY20 to 4,710 mn units in H1FY21. The fall in power demand was on account of lockdown due to covid-19 pandemic. However, as per West Bengal Electricity Regulatory Commission (WBERC) norms and order released by WBERC dated May 06, 2020 allowing licensees in West Bengal region to raise fixed charges/demand charges from its customers, the company was able to recover fixed charges/demand charges from its customers. Despite this, the PBILDT margin of the company witnessed a decline in H1FY21 compared to H1FY20 due to higher cost of purchase of power (since the company also had to pay fixed charges to HEL on account of the take or pay agreement). With decline in the operating margin, PAT margin also witnessed a slight decline in H1FY21 compared to H1FY20. Interest coverage ratio of the company witnessed a decline from 3.09x in H1FY20 to 2.00x in H1FY21 on account of reduction in PBILDT. The company earned a GCA of Rs.280 crore in H1FY21 vis-à-vis debt repayment obligation of Rs.763 crore. The shortfall in repayment was met out of refinancing of loans and utilisation of opening cash and liquid investments which was available with the company.

Key Rating Weaknesses

Exposure to Regulatory risk

Power utilities are exposed to regulatory risk associated with delay in receipt of tariff order and non-allowance of certain expenses by the commission. CESC's tariff needs to be approved by WBERC on a periodic basis. CESC's tariff levels have remained unchanged since Jan 2017 (tariff of Rs.7.31/unit including MVCA of Rs.0.29/unit) which is insufficient to recover increasing input costs during this period. This has resulted in moderation in operating profits from FY19 onwards. As on March 31, 2020, CESC's regulatory asset base stood at Rs.4,724.59 crore (out of which Rs.737.23 crore was due to actual cost under-recoveries emanating from fuel and power purchase cost while remaining amount comprising of non-cash items like deferred tax and exchange fluctuations).

The company has received its APR order for FY14 dated March 02, 2020 wherein the company has been allowed to collect Rs.382.74 crore from customers. The entire recoverable amount of Rs.382.74 crore or a part thereof shall be adjusted with the future tariff order for FY19 or any ensuing year or in a separate order.

Tariff orders for FY2019 and FY2020 have not been released yet, and true-up orders are awaited from FY2015. Given pending tariff orders, this has made the regulatory environment increasingly uncertain.

Moderate capital structure and debt protection metrics

On a consolidated level, the overall gearing ratio of the company witnessed an improvement from 1.52x as on March 31, 2019 to 1.39x as on March 31, 2020 on account of accretion of profits to reserves. Further, TDGCA also witnessed an improvement from 11.45x as on March 31, 2019 to 10.52x as on March 31, 2020 on account of increase in GCA along with slight reduction in total debt. The total debt remained at the same level of Rs.15,706 crore as on September 30, 2020 compared with Rs.15,719 crore as on March 31, 2020.

On a standalone level, the overall gearing ratio of the company witnessed a slight deterioration from 0.69x as on March 31, 2019 to 0.72x as on March 31, 2020 on account of new loans availed by the company in FY20 along with increase in consumers security deposit. Excluding consumers security deposit, overall gearing ratio stands at 0.57x as on March 31, 2020 (0.55x as on March 31, 2019). However, the same improved again to 0.71x as on September 30, 2020 on account of accretion of profits to reserves. TDGCA also witnessed a slight moderation from 9.55x as on March 31, 2019 to 9.74x as on March 31, 2020 on account of increase in total debt.

Exposure to group companies

On a standalone level, CESC's exposure in group companies increased slightly from Rs.4,451 crore as on March 31, 2020 to Rs.4,532 crore as on September 30, 2020. The exposure to group companies as a % of networth declined from 39.17% as on March 31, 2020 to 38.58% as on September 30, 2020.

Further, HEL has exposure of Rs.917 crore to CESC as on March 31, 2020 (Rs.1,282 crore as on March 31, 2019) in the form of advances out of which majority has been utilised to provide fund support to DIL.

With the surplus cashflow from HEL and reduced losses in DIL, the support to DIL is expected to be low going forward. However, CARE expects that CESC shall continue to support its distribution franchisee subsidiaries (Kota Electricity Distribution Limited and Malegaon Power Supply Limited) in the medium term with an expected fund support of Rs.108 crore in FY21.

On a consolidated level, exposure to group companies stood at Rs.150 crore as on March 31, 2020 reduced from Rs.180 crore as on March 31, 2019 mainly in ICML, which carries out mining activities for CESC.

Refinancing Risk

In earlier years, CESC has successfully refinanced high cost debt in its own books as well as in its subsidiaries. In FY20 and H1FY21 also, CESC refinanced its various high cost debt in the books of CESC, HEL and SVL. On account of expected shortfall in cash accruals going forward, CESC is expected to be dependent on refinancing some portion of its debt to meet its debt repayment obligations. The major portion of the company's current debt outstanding is expected to be repaid over the next 5 years while the benefit which is to be generated out of the asset base is expected over a much longer period. In order to meet this mismatch, company avails short to medium term loans which lead to refinancing risk. The successful refinancing of its existing debt profile has helped the company to reduce its debt repayment obligation till FY22. Besides, the aforesaid refinancing has been done at a lower interest rate which has helped the company to reduce its cost of borrowings.

Impact on Covid-19

On the operational side, both the Budge Budge plant (750 MW) and the Southern plant (135 MW) are running currently. There has been an impact on the demand of power wherein the power sold by the company had reduced by around 21%

in H1FY21 compared to H1FY20. The impact was on account of lockdown due to covid-19. CESC's overall PLF witnessed a decline from 65% in FY19 to 62% in FY20 and further to 58% in H1FY21 due to the lockdown imposed in the country on account of Covid-19. The same started to pick up from October 2020 with PLF of 63% in that month due to increased demand. The company raised a total bill amounting to Rs.3,948 crore for the period from March 2020 to September 2020 out of which the company had already collected around Rs.3,491 crore till December 13, 2020.
The collection has witnessed a decline in H1FY21 on account of the average billing (based on average of last 6 months – September 2019 to February 2020) done by the company due to lockdown in the country due to which meter readings could not be done. With the commencement of meter readings, CESC raised the arrears in the bills of March to May in the billing for the month of June. However, due to the increased billing done in the month of June 2020 which affected around 2.6 mn of its domestic consumers, CESC received several complaints from its consumers. In view of the complaints received from its consumers, CESC decided to exclude the differential billing amount for the month of April & May 2020 in the billing for June 2020 month of all its domestic consumers. The shortfall in collections was managed by the company out of the liquidity available in hand and raising of additional debt. The management expects to realize this amount by Q3FY21 instead of the earlier estimate of realizing it within FY21. Further, the billing cycle which got extended by one month due to lockdown is expected to streamline by June 2021.

Adequate Liquidity Position

The company met its term loan repayment obligations of Rs.1,200 crore (Standalone) and Rs.1,860 crore (Consolidated) for FY20. In FY21, the company has a repayment obligation of Rs.1,174 crore (Standalone) and Rs.1,809 crore (Consolidated) out of which the company has already repaid Rs.825 crore (Standalone) till November 30, 2020 and Rs.1,031 crore (Consolidated) till September 30, 2020 and the balance shall be repaid out of cash accruals and mix of refinancing of long term loans and cash and liquid balance available with the company. The company (Standalone) has already raised new debt amounting to Rs.1,350 crore till November 30, 2020 (excluding a short term loan of Rs.100 crore raised in September 2020 and repayable in January 2021). The company (at standalone level) has cash and cash equivalents available in current accounts, fixed deposits and mutual funds amounting to Rs.1,665 crore as on November 30, 2020 to meet its debt repayment obligations, in case of any shortfall. As indicated by management, on a standalone basis, CESC would continue to maintain liquidity of Rs.800-1000 crore (excluding unutilized fund based limits). Going ahead, liquidation of accumulated regulatory assets of Rs.737.23 crore on account of receipt of tariff orders along with the recoverability of the APR order for FY14 amounting to Rs.382.74 crore would remain crucial for CESC to improve its overall liquidity position. However, the company enjoys financial flexibility by virtue of being part of RP-SG group.

Analytical approach: Consolidated. Post corporate restructuring, the retail and IT divisions have been demerged and the consolidated accounts of CESC comprises of only the power division companies of the group with one non-power entity namely, Au Bon Pain Café India Limited which is currently non-operational.
CARE has taken a consolidated view of the following entities owned by CESC:

Sl. No.	Name of Subsidiaries & Associates	% of ownership interest as at March 31, 2020	% of ownership interest as at March 31, 2019
1	Haldia Energy Limited	100.00	100.00
2	Dhariwal Infrastructure Limited	100.00	100.00
3	Surya Vidyut Limited	100.00	100.00
4	Malegaon Power Supply Ltd (formerly Nalanda Power Company Limited)	100.00	100.00
5	CESC Projects Limited	100.00	100.00
6	Bantal Singapore Pte Limited	100.00	100.00
7	Pachi Hydropower Projects Limited	100.00	100.00
8	Papu Hydropower Projects Limited	100.00	100.00
9	Ranchi Power Distribution Company Limited	100.00	100.00
10	Kota Electricity Distribution Limited	100.00	100.00
11	Bikaner Electricity Supply Limited	100.00	100.00
12	Bharatpur Electricity Services Limited	100.00	100.00
13	CESC Green Power Limited	100.00	100.00
14	Jharkhand Electric Company Limited	100.00	100.00
15	Jarong Hydro-Electric Power Company Limited	100.00	100.00
16	Eminent Electricity Distribution Limited	100.00	-
17	Au Bon Pain Café India Limited	93.10	93.10
18	Crescent Power Limited	67.83	67.83
19	Mahuagarhi Coal Company Pvt Ltd (50% Joint Venture)	50.00	50.00
20	Noida Power Company Limited (NPCL) (Joint Venture)	49.55	49.55

Applicable Criteria
[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings]
[CARE's Policy of Default Recognition]
[Financial ratios – Non-Financial Sector]
[Criteria on Short Term Instruments]
[Liquidity Analysis of Non-Financial Sector Entities]
[Rating Methodology: Thermal Power Producers]
[Rating Methodology: Consolidation]
[Rating Methodology: Notching by factoring linkages in Ratings]

About the Company
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 March 31, 2020, the company has three thermal (coal based) power stations with total generating capacity of 1,125 MW (operating capacity: 885 MW) serving 3.3 mn consumers in its 567 sq km licensed area. The combined installed capacity (thermal) of the group is 2,365 MW with power plants operating under the subsidiaries in Haldia, WB (600 MW) under HEL, Chandrapura, Maharashtra (600 MW) under DIL and 40MW in Asansol, WB under Crescent Power Ltd (CPL; rated CARE A-; Stable). The group also operates wind mills of 156 MW in Rajasthan, Gujarat and Madhya Pradesh under Surya Vidyut Ltd (SVL; rated CARE A-; Stable/ CARE A2), solar power plant of 15 MW in Tamil Nadu under CPL and 9MW in Gujarat under Integrated Coal Mining Limited (ICML; rated CARE A-; Stable). The peak load, so far, handled by CESC is 2,337 MW. In FY20, CESC catered to 50% (51% in FY19) of its power requirement out of own generation and balance out of purchase from HEL and 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.

Brief Financials - Consolidated (Rs. Crore)	FY19 (A)	FY20 (A)
Total Operating Income	10,819	11,160
PBILDT	3,061	3,104
PAT	1,198	1,306
Overall gearing (times)	1.52	1.39
Interest coverage (times)	2.14	2.12

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Available

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

Covenants of rated instrument/facilities: Detailed explanation of covenants of the rated instruments is given in Annexure-3

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

Annexure-1: Details of Facilities/Instruments

Name of the Instrument	ISIN Number	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	1600.00	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	750.00	CARE A1+
Fund-based - LT-Term Loan	-	-	-	June 2029	1914.13	CARE AA; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	-	125.00	CARE AA; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	-	200.00	CARE AA; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	-	275.00	CARE AA; Stable

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Commercial Paper-Commercial Paper (Carved out)	ST	500.00	CARE A1+	1)CARE A1+ (05-Oct-20)	1)CARE A1+ (05-Jul-19) 2)CARE A1+ (09-Apr-19)	-	1)CARE A1+ (09-Oct-17) 2)CARE A1+ (13-Jul-17)
2.	Fund-based - LT-Cash Credit	LT	1600.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20)	1)CARE AA; Stable (03-Oct-19) 2)CARE AA; Stable (05-Jul-19) 3)CARE AA; Stable (09-Apr-19)	1)CARE AA; Stable (14-May-18)	1)CARE AA; Stable (20-Mar-18) 2)CARE AA; Stable (06-Feb-18) 3)CARE AA; Stable (09-Oct-17) 4)CARE AA; Stable (13-Jul-17)
3.	Term Loan-Long Term	LT	42.50	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20)	1)CARE AA; Stable (03-Oct-19) 2)CARE AA; Stable (05-Jul-19) 3)CARE AA; Stable (09-Apr-19)	1)CARE AA; Stable (14-May-18)	1)CARE AA; Stable (20-Mar-18) 2)CARE AA; Stable (06-Feb-18) 3)CARE AA; Stable (09-Oct-17) 4)CARE AA; Stable (13-Jul-17)
4.	Non-fund-based - ST-BG/LC	ST	750.00	CARE A1+	1)CARE A1+ (05-Oct-20)	1)CARE A1+ (03-Oct-19) 2)CARE A1+ (05-Jul-19) 3)CARE A1+ (09-Apr-19)	1)CARE A1+ (14-May-18)	1)CARE A1+ (20-Mar-18) 2)CARE A1+ (06-Feb-18) 3)CARE A1+ (09-Oct-17) 4)CARE A1+ (13-Jul-17)
5.	Fund-based - LT-Term Loan	LT	1871.63	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20)	1)CARE AA; Stable (03-Oct-19) 2)CARE AA; Stable (05-Jul-19) 3)CARE AA; Stable (09-Apr-19)	1)CARE AA; Stable (14-May-18)	1)CARE AA; Stable (20-Mar-18) 2)CARE AA; Stable (06-Feb-18) 3)CARE AA; Stable (09-Oct-17) 4)CARE AA; Stable (13-Jul-17)
6.	Commercial Paper-Commercial Paper (Carved out)	ST	800.00	CARE A1+	1)CARE A1+ (05-Oct-20)	1)CARE A1+ (05-Jul-19) 2)CARE A1+	-	1)CARE A1+ (09-Oct-17) 2)CARE A1+

						(09-Apr-19)		(13-Jul-17)
7.	Commercial Paper-Commercial Paper (Standalone)	ST	300.00	CARE A1+	1)CARE A1+ (05-Oct-20)	1)CARE A1+ (05-Jul-19) 2)CARE A1+ (09-Apr-19)	-	-
8.	Debentures-Non Convertible Debentures	LT	40.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20)	1)CARE AA; Stable (07-Feb-20)	-	-
9.	Debentures-Non Convertible Debentures	LT	40.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20)	1)CARE AA; Stable (07-Feb-20)	-	-
10.	Debentures-Non Convertible Debentures	LT	40.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20)	1)CARE AA; Stable (07-Feb-20)	-	-
11.	Debentures-Non Convertible Debentures	LT	150.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20)	-	-	-
12.	Debentures-Non Convertible Debentures	LT	20.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20)	-	-	-
13.	Debentures-Non Convertible Debentures	LT	15.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20)	-	-	-
14.	Debentures-Non Convertible Debentures	LT	15.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20)	-	-	-
15.	Debentures-Non Convertible Debentures	LT	150.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20) 2)CARE AA; Stable (19-May-20)	-	-	-
16.	Debentures-Non Convertible Debentures	LT	250.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20)	-	-	-

17.	Debentures-Non Convertible Debentures	LT	30.00	CARE AA; Stable	1)CARE AA; Stable (05-Oct-20)	-	-	-
18.	Debentures-Non Convertible Debentures	LT	125.00	CARE AA; Stable	-	-	-	-
19.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA; Stable	-	-	-	-
20.	Debentures-Non Convertible Debentures	LT	275.00	CARE AA; Stable	-	-	-	-

Annexure 3: Detailed explanation of covenants of the rated instruments:

Name of the Instrument	Detailed explanation
1. Proposed NCD Issue of Rs.200 crore	
A. Financial covenants	
i. Total Debt to Networth Ratio	Should be less than 2.33x
ii. Fixed Assets Coverage Ratio	Should be greater than 1.40x
B. Non-financial covenants	
i. Declaration of dividend	No dividend to be declared nor any payment to equity holders to be made, if an Event of Default resulting from any payment default has occurred and is subsisting. Further, no dividend to be declared nor any payment to equity holders to be made, if an Event of Default resulting from any other default other than payment default has occurred and is subsisting for a period of 30 days.
ii. Sale of movable fixed assets	Any sale of movable fixed asset, with a value/consideration of more than ₹ 500 Cr p.a., has to be with the prior consent of the Debenture Trustee.
iii. Promoter Shareholding	The existing Promoters should retain management control and at least 44% shareholding of the Company directly or through affiliates / associates / subsidiaries during the tenure of the Debenture.
2. Proposed NCD Issue of Rs.400 crore	
A. Financial covenants	
i. Total Debt to Networth Ratio	Should not exceed 3x
ii. TTL/PBILDT (where TTL means sum of all long term debt and unsecured loan other than short term loan or working capital borrowings and promoter's unsecured loans)	Should be less than 4.5x
iii. Fixed Assets Coverage Ratio	Should be greater than 1.40x
B. Non-financial covenants	
i. Promoter shareholding	Promoter and Promoter Group shall be the single largest shareholder in the Company and not dilute its shareholding below 26% in the issuer.
ii. Management control	Promoter and Promoter Group shall exercise management control at all times till the tenor of the NCDs.
iii. Pledging of shares	Promoter and Promoter Group shall seek prior approval of the NCD holders before pledging its shareholding in the Issuer till the tenor of the NCDs

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Complex
2.	Debentures-Non Convertible Debentures	Simple
3.	Fund-based - LT-Cash Credit	Simple
4.	Fund-based - LT-Term Loan	Simple
5.	Non-fund-based - ST-BG/LC	Simple
6.	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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