

Infomerics Valuation and Rating Pvt Ltd

Press Release



Infomerics assigns Issuer Rating of IVR A-(Is) with Stable Outlook to Dhariwal Infrastructure Ltd.

Rating & Definition

Infomerics Valuation and Rating Pvt. Ltd. has assigned **IVR A-(Is) / Stable Outlook issuer rating (pronounced IVR Single A Minus Is with Stable Outlook)** to **Dhariwal Infrastructure Ltd.** (DIL). Issuers with this rating are considered to offer adequate degree of safety regarding timely servicing of financial obligations. Such issuers carry low credit risk.

Rating Rationale

The aforesaid rating derives comfort from DIL's belongingness to reputed RP-Sanjiv Goenka group, group's having an established & satisfactory track record in domestic power sector over decades, company's receiving considerable financial & managerial support from the group, successful commissioning of the power project, experienced top management team, recent signing of Fuel Service Agreement (FSA) with South Eastern Coalfields Ltd. for its entire requirement, signing of Power Purchase Agreement (PPA) for half of the current installed capacity & considerable progresses made for the remaining capacity and prevalence of strong demand for power in the domestic power sector. However, the rating is tempered by continued significant dependence on price-volatile merchant sale, high leverage & low debt protection parameters, volatile fuel price and elongated receivable collection days. Going forward, DIL's efficient utilisation of the plant capacity, optimising fuel usage and dependence on merchant sale shall be the major rating drivers.

Company Background

DIL, a wholly owned step-down subsidiary of CESC Ltd., operates the 600 MW (2x300 MW) coal based power plant located at Tadali Industrial Area in Chandrapur district of Maharashtra. CESC Ltd. became the ultimate holding company of DIL by way of acquiring 100% stake in DIL through its wholly-owned subsidiary, CESC Infrastructure Ltd. The project was acquired by CESC Infrastructure Ltd. during the construction phase from Prithvi



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Group and Manikchand Group. CESC is the flagship company of RP-Sanjiv Goenka group – one of the major business houses of the country with most of the companies of the group are performing satisfactorily. The first unit (300 MW) of the power plant was commissioned in February 2014 and the Second unit (300 MW) was commissioned in August 2014 at an aggregate project cost of Rs.3,850 crores.

The company has a coal linkage with South Eastern Coalfields Ltd. (SECL) for its requirement for the entire 600 MW and has entered into a FSA in March, 2016 for a period of 20 years. This has started benefitting the company in the current year in a decent way. Despite getting award of coal linkage by DIL from SECL during the construction period, the signing of FSA got delayed due to change of management and change of name from a private limited company to a public limited company. This also delayed signing of Power Purchase Agreement (PPA) and the company had to sell its produce through merchant sale route. The long-term PPA signed for 100 MW for 15 years with Tamil Nadu Generation & Distribution Corp Ltd (TANGEDCO) came into use & supply of power was started from December, 2015. Subsequently, another PPA was signed with Noida Power Corporation Limited (NPCL) for supply of 187 MW of power at regulated tariff for a period of 25 years. For the balance capacity, the company is negotiating with few power utilities/distribution companies and the matter is known to be in advanced stage. Until then, the said produce is proposed to be sold through merchant sale route. These are likely to help the company to scale up its operation and revenue earning substantially

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present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOP's in addition to the financial performance and other relevant factors