



## Press Release

### Bikaner Electricity Supply Limited

February 10, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	161.25	IVR BBB+/Stable (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	75.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
<b>Total</b>	<b>236.25</b> <b>(Rupee Two hundred thirty six crore and twenty lakh only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The reaffirmation of aforesaid ratings assigned to the bank facilities of Bikaner Electricity Supply Ltd (BKESL) continues to derive comfort from strong operational support of its parent company, CESC Ltd. (CESC), long track record of CESC in the power sector, BKESL's belongingness to the reputed RP- Sanjiv Goenka group and presence of highly experienced & qualified management team. The ratings are further underpinned by the exclusive long-term power distribution agreement with Jodhpur Vidyut Vitran Nigam Ltd (JDVVNL) for supply of power in Bikaner city of Rajasthan and insularity of margin from increase in power purchase price. The ratings also note stable operating income in FY22 along with strong demand potential for power. However, these rating strengths are tempered by pressure on profitability, prevalence of retail customers limiting the demand growth and high receivables.

#### Key Rating Sensitivities:

##### Upward factors

- Improvement in operating performance and gross cash accruals
- Improvement in capital structure
- Significant improvement in the operating performance with continuous reduction in T&D loss

##### Downward factors



## Press Release

- Deterioration in operating performance impacting the liquidity and debt coverage indicators.
- Deterioration in capital structure with overall gearing moderated over 1x
- Weakening of support from parent company

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Long track record of the parent company, CESC, in the power sector**

CESC is having a long track record of operation. It 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 and Howrah in West Bengal.

- **Belongingness to the reputed RP-Sanjiv Goenka group and Strong parent support**

Kolkata based the RP-Sanjiv Goenka group is one of the leading industrial houses of the country with interest in power generation & distribution, coal, carbon black, retailing, entertainment and BPO business with CESC Ltd. being the flagship company. BKESL is a wholly owned subsidiary of CESC, an established & well performing power utility based out of Kolkata. CESC has a strong financial risk profile with adequate liquidity. BKESL, being a wholly owned subsidiary of CESC, is expected to receive continuous support from its parent. CESC has infused ~Rs.128 crore in BKESL till FY22.

- **Highly experienced & qualified management team**

BKESL is managed by highly qualified and experienced employee pool transferred from CESC having strong experience in their related fields. In terms of operation, BKESL has lots of synergy with CESC.

- **Exclusive long-term power distribution agreement**

JDVVNL has a distribution license under the provisions of Electricity Act, 2003 to supply electricity in the western and north-western part of Rajasthan. For distribution of power in its designated areas, JDVVNL undertook competitive bidding process to select its distribution franchises. For Bikaner city area, JDVVNL selected CESC Ltd from the bidding process. CESC designated, BKESL, as a special purpose vehicle (SPV) in order to discharge its



## Press Release

obligations as a distribution franchise. In this regard, the Distribution Franchise Agreement (DFA) was signed in June, 2016 with a validity of 20 years. BKESL has the exclusive right to distribute power in Bikaner area of Rajasthan.

- **Insularity of margin from increase in power purchase price**

The power purchase price of the company is fixed as per the DFA for the next 20 from the date of the DFA. Any revision in the cost structure of JDVVNL will not have any impact on the fixed purchase price for BKESL. As per the agreement, power purchase cost per unit is proportionately linked to any revision in per unit power tariff revision by the Rajasthan Electricity Regulatory Commission and hence, it is a pass through. Therefore, the margin of BKESL is insulated from fluctuation in power purchase price.

- **Stable operating income**

BKESL's total operating income remained stable in FY22. The company started its operation in May, 2017 and reported losses till FY19 due to high level of T&D losses and other operational stabilization issues. However, under the guidance of CESC group, BKESL's operations turned profitable in FY20. In FY22, T&D loss increased to 13.89% from 12.98% in FY21. In 9MFY23, the company has already achieved revenue of ~Rs.501 crore.

- **Strong demand potential for power**

The domestic power sector appears to have considerable growth potential, given the fact that the country is likely to be power deficient in many pockets particularly during the peak period due to mismatch between robust power demand and creation of supply facilities. The Bikaner city has high growth potential driven by its locational advantage and direct link to nearby major cities.

### Key Rating Weaknesses

- **Pressure on profitability**

The company's profit margins moderated in FY22 on account of higher T&D loss. Besides, the profitability is expected to be affected in FY23 due to reduction in average billing rate.

- **Prevalence of retail customers limiting the demand growth**

With a large urban/ semi urban profile of the license area, BKESL has higher proportion of



## Press Release

retail customers in its consumer mix. Higher proportion of retail customers limits the growth potential to an extent due to lower possibility of extensive growth in power consumption in near term.

- **High receivables**

BKESL has more than six months' receivables of about ~Rs.116 crore as on September 30, 2022 indicating an elongated collection cycle, impacting liquidity. BKESL is operating with a billing efficiency of 86.11% and collection efficiency of about 100.58% in FY22.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

**Liquidity – Adequate**

The liquidity of the company is expected to remain adequate backed by support from the parent, CESC Ltd having highly comfortable liquidity position with high cash balances and liquid investments.

**About the Company**

Bikaner Electricity Supply Limited (BKESL - erstwhile Water Hyacinth Commosale Private Limited), incorporated in May 05, 2012, is a wholly owned subsidiary of CESC Ltd (CESC) belonging to Kolkata-based RP-Sanjiv Goenka group. The RP - Sanjiv Goenka group is one of the leading industrial houses of the country with interest in power generation & distribution, coal, carbon black, retailing, entertainment and BPO business. JDVVNL has a distribution license under the provisions of Electricity Act, 2003 to supply electricity in the western and north-western part of Rajasthan. JDVVNL undertook competitive bidding process to select its distribution franchises. For Bikaner city area, JDVVNL selected CESC Ltd from the bidding process. CESC designated, BKESL, as a special purpose vehicle (SPV), in order to discharge its obligations as a distribution franchise. In this regard, the Distribution Franchise Agreement (DFA) was signed in March, 2017. BKESL is engaged in



## Press Release

electricity distribution operation in Bikaner city from May, 2017 as a distribution franchisee of JDVVNL. BKESL is sourcing power from JDVVNL as per the stated rates in DFA and selling the power to customers under its command area as per tariff order issued by RERC.

### Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	560.84	569.68
EBITDA	44.51	26.84
PAT	32.48	8.92
Total Debt	58.34	64.06
Tangible Net worth	119.52	128.84
EBITDA Margin (%)	7.94	4.71
PAT Margin (%)	5.79	1.57
Overall Gearing Ratio (x)	0.49	0.50

\*Classification as per Infomerics' Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Bank Guarantee	Long term	130.00	IVR BBB+/Stable	IVR BBB+/Stable (Nov 13, 2021)	IVR BBB+/Stable (Aug 14, 2020)	IVR BBB+/Stable (Jul 5, 2019)
2.	Term Loan*	Long term	6.25	IVR BBB+/Stable	IVR BBB+/Stable (Nov 13, 2021)	IVR BBB+/Stable (Aug 14, 2020)	-





## Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
3.	Cash Credit	Long term	25.00	IVR BBB+/S table	-	-	-
4.	Overdraft	Short term	75.00	IVR A2	IVR A2 (Nov 13, 2021)	IVR A2 (Aug 14, 2020)	IVR A2 (Jul 5, 2019)

\*Outstanding as on January 31, 2023

### Name and Contact Details of the Rating Analyst:

Name: Mr. Ashish Agarwal	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: <a href="mailto:aagarwal@infomerics.com">aagarwal@infomerics.com</a>	Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank



## Press Release

facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Bank Guarantee	-	-	-	130.00	IVR BBB+/Stable
Term Loan	-	-	March 2024	6.25	IVR BBB+/Stable
Cash Credit	-	-	-	25.00	IVR BBB+/Stable
Overdraft	-	-	-	75.00	IVR A2

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-Bikaner-Electricity-feb23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).