

May 22, 2009

**CARE REAFFIRMS RATING ASSIGNED TO BANK FACILITIES OF
BSES YAMUNA POWER LTD.**

CARE has retained the '**CARE BBB**' [**Triple B**] rating assigned to the existing Long-term Bank Facilities of BSES Yamuna Power Ltd. (BYPL). This rating is applicable for facilities having tenure of over one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk.

Further, CARE has also retained '**PR3**' [**PR Three**] rating assigned to the Short-term Bank Facilities of BYPL. This rating is applicable for facilities having tenure up to one year. Facilities with this rating would have moderate capacity for timely repayment of short-term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher.

Facilities	Amount (Rs. cr)	Rating
Long-term Bank Facilities	1,187.34	'CARE BBB'
Short-term Bank Facilities	205.00	'PR3'
Total	1,392.34	

The ratings take into consideration the high exposure to the regulatory risk in terms of revision in tariff and pass-through of cost items, high outstanding liabilities due to debt-funded capital expenditure plans, high Aggregate Technical & Commercial (AT&C) losses as compared to peers and weak debt-servicing indicators. The ratings are however, supported by the strong promoter background and reduction in AT&C losses over the years.

Background

BSES Yamuna Power Ltd. (BYPL) was constituted in July 2001 with the privatisation of unbundled entities of the erstwhile Delhi Vidyut Board (DVB).

Post privatisation, 51% of BYPL's equity is held by Reliance Energy Ltd. (part of Reliance - Anil Dhirubhai Ambani Group) along with its associates and the balance 49% by the Government of National Capital Territory of Delhi (GoNCTD) through Delhi Power Company Ltd. (DPCL).

For the purpose of distribution of electricity, the National Capital Territory of Delhi (NCTD) is divided into three zones and each zone is allocated to one DISCOM. BYPL covers areas of Central Delhi and East Delhi covering nearly 10.47 lakh consumers. The company has an HT to LT ratio of 33:67 with close of 8,000 km of distribution cables, covering 160 sq. km. of area.

During FY08, the income from sale of power was Rs.2,338 cr with PBILDT and PAT of Rs.84 cr and Rs.-55 cr, respectively. During FY08, low PBDILT was on account of higher power purchase cost coupled with only marginal increase in Retail Supply Tariff. Prior to April 1, 2008, BYPL purchased power from Delhi Transco Ltd (DTL) at a prefixed Bulk Supply Tariff (BST). However, post April 1, 2008, the responsibility of power purchase lies with individual Discom which has resulted in higher power purchase cost and hence lower operating profits.

The company has shown improved performance during the 9MFY09. The total income had increased by 5% compared to the same period last year. Further, the PBILDT was Rs.148 cr as compared to just Rs.2 cr posted during the same period last year. The primary reasons for this were higher sales, improved operational performance through continuous AT&C loss reduction and tighter control over the cost heads. The PAT though positive at Rs.11 cr was low on account of higher interest expenses and depreciation charges.

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