

BSES YAMUNA POWER LTD.

Long-term Bank Facilities
Short-term Bank Facilities

CARE BBB
PR3

Rating

CARE has retained the 'CARE BBB' [Triple B] rating assigned to the existing Long-term Bank Facilities of BSES Yamuna Power Ltd. (BYPL) amounting to Rs.1,187.34 cr. 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 the 'PR3' [PR Three] rating assigned to the existing Short-term Bank Facilities of the company amounting to Rs.205 cr. 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.

The ratings take into consideration high exposure to 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 incorporated in July 2001 upon privatisation of unbundled entities of the erstwhile Delhi Vidyut Board (DVB) under Delhi Electricity Reform (Transfer Scheme) Rules, 2001 notified on November 20, 2001, later amended on June 26, 2002.

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 GoNCTD (Government of National Capital Territory of Delhi) (GoNCTD) through Delhi Power Company Ltd. (DPCL).

The distribution area (1,397 sq. km.) of the erstwhile DVB was broadly divided into six circles (Central, East, South, West, North and North-west), which cover the whole of Delhi excluding the Government area and cantonment area measuring around 43 sq. km. each. The rest of the area was assigned to three distribution companies (Discoms). These Discoms were privatised through an open bidding process in May 2002, based on reduction of AT&C loss.

Operations of the Company

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 nearly 8,000 km of distribution cables, covering 160 sq. km. of area.

Since the beginning of the operations till March 2007, the Bulk Supply Tariff (BST) - power purchase price per unit of electricity for each Discom was determined on the basis of its paying capacity as per principles laid down in the policy direction issued by GoNCTD.

Beginning FY08, the responsibility of arranging supply of power was transferred to Discoms. The Power Purchase Agreements (PPAs) of Delhi Transco Ltd (DTL) were realigned with each Discom. Based on the proportion of the energy drawn in the period post unbundling to February 2007, BYPL was allocated 27.24% of the total power purchased by DTL. Allocation is valid from April 1, 2007 till March 31, 2011. Peak demand power purchase, earlier taken care by DTL, was also vested to individual discom. While, the domestic users consumed 53% of the total units sold, they contributed only 36% to the total revenue of the company in FY05. With the improved collection and reduction in AT&C losses, the company was able to consolidate its revenue position and got 36% of its revenue by selling 49% of power to the domestic segment in FY08.

Commercial and industrial supply used to contribute 60% to the total revenue of the company, while they utilised just 44% of the total power sold in FY05. Figures have improved and the total sales now contribute 57% to the total revenue with 43% of the power sold to them.

The increase in recovery of dues coupled with increased Retail Supply Tariff (RST) - the tariff charged to the consumers per unit of electricity sold by the company, has resulted in improved average realisation over the years. The average RST increased from Rs.4.05 per unit in FY05 to Rs.4.56 per unit of power sold in FY07. However, the realisation has however declined marginally by 5 paise/unit during FY08 owing to higher addition of low-yielding consumers in the sales-mix.

BYPL has reduced the Transmission & Distribution (T&D) losses (the difference between units purchased and units billed) from 57.95% in FY03 to 33.4% in FY08 by undertaking capital expenditures for modernisation and strengthening of network, beginning FY05. The total capital expenditure undertaken during this period exceeded Rs.1,287 cr which has been utilised for strengthening and up-gradation of the distribution system. Reduction in AT&C loss (the difference of units purchased and realised) was the parameter for bidding at the time of taking over the Discoms. BYPL has been able to reduce the AT&C losses from 57.2% (stated opening losses in the bidding criteria) to 29.8% in FY08.

Reduction of AT&C losses was achieved through reduction of theft, metering of un-metered consumers, reduction in distribution losses and improving billing and payment collection systems.

Tariff Petition

BYPL files an application indicating the Annual Revenue Required (ARR) depending upon the expected cost of supply and the rate of return on the capital base for the scrutiny of Delhi Electricity Regulatory Commission (DERC), under DERC Tariff Regulations, 2000. BYPL also files a tariff revision application, if the approved tariffs are insufficient to recover the expected cost of service.

Multi Year Tariff (MYT) regulations were issued on May 30, 2007 for a period of next four years i.e. starting April 1, 2007 till March 31, 2011 envisaging ARR filing for wheeling and retail supply business separately with post tax return @14% Return on Capital Employed (RoCE) and 2% supply margin.

DERC issued its first MYT Order on February 23, 2008. The order related to determination of annual revenue requirement for the period FY2007-08 till FY2010-11 and approval for wheeling and RST for all consumer categories till March 31, 2009. The retail tariff for further period was to be decided every year taking into account adjustments of allowed variations in uncontrollable parameters.

BYPL on December 12, 2008 had filed the ARR application for FY2009-10. BYPL has projected the net revenue gap (including revenue gap till FY10) as Rs.718.66 cr. This revenue gap was after considering Rs.210.75 cr to be funded by GoNCTD subsidy. For recovering the balance revenue gap, BYPL proposes to levy one-time surcharge of 82.5 paise per unit to recover the revenue gap on account of uncontrollable cost upto FY2008-09 and uniform revision in consumer tariff of 24.39% for recovering the revenue gap on account of uncontrollable cost for FY2009-10. BYPL has proposed to exclude Juggi Jopdi Clusters and Domestic Lighting/Fan and Power Connections in Left Out Pockets and Villages, both electrified and unelectrified for various plot sizes from both one-time surcharge and uniform tariff revision. The decision for any revision in tariff is still awaited as DERC is yet to issue the Tariff Order for FY2009-10.

Financial Results

	(Rs. Crore)		
For the year/ As on March 31,	2006	2007	2008
Income from sale of energy	1,160	1,286	2,338
Total income	1,223	1,349	2,358
PBILDT	80	98	84
Interest	30	77	130
Operating PBT	1	(36)	(118)
PAT	(27)	48	(55)
Net cash accruals	52	40	17
Net fixed assets	798	977	1,152
Capital work in progress	224	269	186
Equity share capital	116	116	116
Tangible Networth	101	170	152
Total capital employed	961	1,190	1,576
PBILDT margin (%)	6.54	7.26	3.57
PAT margin (%)	(2.17)	3.56	(2.33)
Long-term debt-equity ratio (x)	7.58	5.48	8.51
Overall gearing ratio (x)	8.51	6.00	9.40
Interest coverage ratio (x)	1.03	0.54	0.09
Current ratio* (x)	0.86	0.90	1.46

*without considering consumer deposits as current liabilities

Financial Analysis

Income from sale of power of BYPL has increased at Compounded Annual Growth Rate (CAGR) of 42% over the past three years reflecting increased consumption of power, higher proportion of trading sales and better recovery due to containing AT&C losses by BYPL.

During FY08, lower PBDILT was primarily on account of higher power purchase cost coupled with only marginal increase in RST. Prior to assignment of PPA to individual Discoms, BYPL purchased power from 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 PBDILT.

PAT was of Rs.-55 cr primarily on account of higher depreciation charges and increased interest cost for the year.

Capital expenditure undertaken by BYPL in order to strengthen the network has resulted in continuous increase in fixed asset base. The debt-funded expansions resulted in increase in the total outside liabilities of the company, in turn resulting in high leverage ratios at the end of the period under consideration.

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 PBILDIT 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.

For Further details please contact at :

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