



## North Delhi Power Limited

### Rating History

Instrument	Rating Outstanding	Previous Ratings	
	July 2009	March 2008	July 2007
Rs. 12.20 billion term loans programme	LAA	LAA- (Rs. 12.00 billion)	-
Rs. 1.45 billion Fund Based Limit	LAA	LAA- (Rs. 1.45 billion)	-
Rs. 3.25 billion non Fund Based Limit	A1+	A1+ (Rs. 2.45 billion)	-
Rs. 800 million Commercial Paper Programme	A1+	A1+ (Rs. 800 million)	A1+ (Rs. 800 million)

ICRA upgrades North Delhi Power Limited (NDPL) long term rating from LAA- (pronounced L double A minus) to LAA (pronounced L double A) for an enhanced amount of Rs. 12.20 billion for term loans (including undrawn amount of Rs. 4.67 billion) and Rs.1.45 billion fund-based limits. The rating indicates high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk. ICRA has also reaffirmed its A1+ (pronounced A one plus) rating to the enhanced amount of Rs. 3.25 billion, non-fund based limits and its A1+ (pronounced A one plus) rating to the Rs. 800 million, Commercial Paper Programme of NDPL. This rating indicates highest-credit-quality rating assigned by ICRA to short-term debt instruments. Instruments rated in this category carry the lowest credit risk in the short term. Within this category, certain instruments are assigned the rating of A1+ to reflect their relatively stronger credit quality.

ICRA ratings factor in improving efficiency parameters, as reflected in its ability to reduce the aggregate technical and commercial (AT&C) losses to levels well below what is required under the current tariff regime and the cost plus nature of the tariff setting process, which has enabled it to report profitable

operations and healthy cash generation. The positive credit profile also favourably factors in the stable demand growth and low level of business risks in its core operations; and its improving financial risk profile, with significant decline in gearing levels over the past two years and comfortable coverage indicators. The Delhi Electricity Regulatory Commission (DERC) has finalised the multi-year tariff regime for the period from FY 2008 to FY 2011, which is also a positive from the credit perspective. ICRA has noted that the MYT regime has stipulated strict norms for reduction of (AT&C) loss targets; nevertheless, sustained investments made by the company to strengthen the sub-transmission and distribution network have helped over-achieve the stipulated efficiency norms. These strengths are, however, partly offset by the continued increase in power purchase costs for Delhi-based utilities. It may be difficult to pass on these cost increases to the consumers, given the already high tariffs and political resistance to tariff increases. However, NDPL has already initiated efforts to control the same through a variety of measures including setting up a captive gas-based power plant and signing power purchase agreements (PPAs) with a number of power projects, which are

likely to become operational in the medium term and supply power at more reasonable rates. The company also enjoys financial flexibility and strengths arising from its status as a 51% subsidiary of The Tata Power Company Limited (TPCL), which is rated LAA with a stable outlook by ICRA. ICRA has also drawn comfort from the strong liquidity position of NDPL, as measured by un-utilised bank limits.

NDPL, which is a 51:49 joint venture (JV) of TPCL and the Government of Delhi (GoD), is engaged in the distribution of power in the Northern and North-Western parts of Delhi. Until FY 2002, the entire business of generation, transmission and distribution of power in Delhi was being carried out by the erstwhile Delhi Vidyut Board (DVB). However, the Delhi government enacted a legislation called the Delhi Electricity Reforms Act (DERA) in FY 2002 to unbundle the DVB into separate companies for carrying out generation, transmission and distribution related activities. As part of the unbundling exercise, the entire state was divided into three regions, namely, Central-East, South-West and North-North-West. It was proposed that the distribution of power in each of these regions would



be handled by a separate discom, each of which would be a 51:49 JV of a private player and the GoD. The three distribution regions were then offered to private companies for 51% equity participation by way of bids. The condition of the bids was the % of ATC loss reduction committed by the bidders. Based on these bids, the Tata group won the North-North West circle and NDPL commenced commercial operations on July 1, 2002. ICRA has taken note of the strong state government support to the reform process, as evidenced in NDPL starting operations with a relatively clean balance sheet; takeover of unfunded pension liabilities of the DVB employees by GoD and assured transitory support to the transmission company, namely, Delhi Transco Limited (DTL). Further, the recent conversion of the transition support given as an unsecured loan by GoD to DTL (of around Rs. 35 billion) into equity with the provision that the same will not earn any returns is a positive from the credit perspective.

NDPL has maintained profitable operations since inception as the tariffs of the company are fixed on a cost plus basis and as it has achieved the stipulated efficiency targets. Since commencement of commercial operations, NDPL has brought down the AT&C losses, which were more than 50% in FY 2003 to around 15% in the FY 2009 which is well below the end of MYT Period DERC Target of 17%. As the AT&C losses were well below the

DERC stipulated levels during the last six years, NDPL not only earned its stipulated 16% return on equity but also incentives for over-performance on loss reduction targets, thus boosting its bottom line. The quality of power supplied also witnessed a substantial improvement during the same period. These improvements were a result of the significant capex that NDPL incurred as well as improved operating and commercial practices. ICRA expects these improvements to be sustained in the medium and long term. On the negative side, the cost of power witnessed a steep rise since FY 2007 because of increased reliance on costlier power to meet growing demands. These costs were passed on to the customers but led to temporary, short-term build-up of receivables, especially in FY 2008. NDPL is also setting up a 100 MW, gas-based power plant in order to control power purchase costs, meet growing demand and improve reliability of power. This plant is expected to be operational by end FY 2010 and is likely to entail a cost outlay of around Rs. 2.5 billion, which will be funded through a debt: equity ratio of 70:30. The debt has already been tied up. Further, NDPL has signed power purchase agreements (PPAs) with a number of power projects, which are likely to become operational in the medium term and supply power at more reasonable rates.

In 2008-09, NDPL reported a PAT of Rs. 1.71 billion on an OI of Rs. 24.63

billion as against PAT of Rs. 2.82 billion on an OI of Rs. 24.92 billion in 2007-08. The decrease in PAT was mainly because of substantial booking during that year of prior period charges of Rs. 2.24 billion (Gross Level) by the DERC. The gearing levels of NDPL remained stable at around 0.9 times in FY 2008 as well as FY 2009 because of healthy profitability and accruals. Healthy profitability coupled with lower debt levels, resulted in substantially healthy coverage indicators. The NCA/total debt of NDPL stood at 20% in 2008-09 as against 45% in 2007-08.

The future profitability of NDPL depends mainly on its ability to reduce AT&C losses in line with targets stipulated in the multi-year tariff regime of DERC that is applicable until FY 2011. Considering its past track record of exceeding the DERC fixed targets (FY 11 target over-achieved two year in advance) and substantial investment in loss reduction measures, we expect NDPL to meet these norms. The company is investing in a 100 MW gas-based power plant and has substantial capex plans in distribution. Given the robust cash accruals, we expect the gearing levels of the company to remain comfortable and coverage numbers to remain steady in the medium and long term.

July 2009



## KEY FINANCIALS

	31.03.07	31.03.08	31.03.09
Net Sales	19635.38	21879.48	23589.85
Operating Income (OI)	20251.57	24924.06	24626.55
Operating Profit before Depreciation, Interest and Tax (OPBDIT)	5173.04	3688.00	3762.64
Profit after Tax	1857.91	2816.02	1714.88
Equity Capital	3680.00	3680.00	5520.00
Tangible Net Worth	6736.35	8761.77	9569.44
PAT/OI (%)	9.17	11.30	6.96
PBIT/(Total Debt + Tangible Net Worth) (%)	24.3%	13.2%	15.9%
OPBDIT/Interest & Finance Charges (Times)	9.09	4.91	5.04
Net Cash Accruals/Total Debt (%)	37%	45%	20%
Total Debt /Tangible Net Worth	1.15	0.91	0.93
Total Debt/(Tangible Net Worth + Deferred Tax Liability) (Times)	1.01	0.81	0.82

Note: Amounts in Rs. million

*For further details please contact:*

*Analyst Contacts:*

**Mr. Sabyasachi Majumdar**, (Tel. No. +91-124-4545304)  
sabyasachi@icraindia.com

*Relationship Contacts:*

**Mr. Vivek Mathur**, (Tel. No. +91-124-4545310)  
vivek@icraindia.com

© Copyright, 2009, ICRA Limited. All Rights Reserved.  
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. The ICRA ratings are subject to a process of surveillance which may lead to a revision in ratings. Please visit our website ([www.icra.in](http://www.icra.in)) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents



**You can reach us at any of our offices:**

**Registered Office  
ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office**

**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D, 4545300 (B) Fax; +91-124-4545350

**Mumbai**

**Mr. L. Shiva Kumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion, Appasaheb Marathe Marg,  
Prabhadevi, Mumbai - 400 025  
Ph : +91-22-2433 1046/ 1053/ 1062/ 1074/ 1086/ 1087 Fax :  
+91-22-2433 1390

**Kolkata**

**Ms. Anuradha Ray**

Mobile: **9831086462**

Email: [anuradha@icraindia.com](mailto:anuradha@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna, 234/ 3A, A.J.C. Bose Road,  
Kolkata-700020.  
Tel: +91-33-2287 0450/ 2240 6617/ 8839/ 2280 0008 Fax: +91-33-  
22470728

**Chennai**

**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

**Mr. M.S. K. Aditya**

Mobile: **9963253777**

Email: [adityamsk@icraindia.com](mailto:adityamsk@icraindia.com)

5th Floor, Karumuttu Centre, 634 Anna Salai, Nandanam,  
Chennai-600035.  
Tel: +91-44-2433 3293/ 94, 2434 0043/ 9659/ 8080, 2433 0724,  
Fax:91-44-24343663

**Bangalore**

**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

2 nd Floor. ,Vayudhoot Chambers, Trinity Circle, 15-16 M.G.Road,  
Bangalore-560001.  
Tel:91-80-25597401/ 4049 Fax:91-80-25594065

**Ahmedabad**

**Mr. L. Shiva Kumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26584924, 26585494, 26582008,26585049  
TeleFax:+91-79- 2648 4924

**Pune**

**Mr. L. Shiva Kumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, SNO 210, CTS 3202, Range Hills Road,  
Shivajinagar,Pune-411 020  
Tel : (91 20) 2552 0194 - 5; Fax : (91 20) 2553 9231

**Hyderabad**

**Mr. M.S. K. Aditya**

Mobile: **9963253777**

Email: [adityamsk@icraindia.com](mailto:adityamsk@icraindia.com)

301, CONCOURSE, 3 rd Floor, No. 7-1-58, Ameerpet,  
Hyderabad 500 016.  
Tel: +91-40-2373 5061 7251 Fax: +91-40- 2373 5152