

June 21, 2017

CESC Limited

ICRA has taken note of the ongoing business restructuring scheme being undertaken by the RP-SG Group, and believes that the proposed re-organisation is unlikely to materially impact the credit profile of the three ICRA-rated entities - **CESC Limited** (rated [ICRA]A1+)¹, **Haldia Energy Limited** (rated [ICRA]A1+)², and **Dhariwal Infrastructure Limited** (rated [ICRA]BBB with Stable outlook)³. ICRA has, therefore, retained the ratings of the aforementioned entities.

With an objective to simplify the corporate structure and bring in greater focus, the RP-SG Group has announced plans to demerge multiple businesses, currently operating under CESC Limited (the flagship company) and its various step-down subsidiaries into four separate listed entities specialising in: a) power distribution (through CESC Limited), b) power generation (through Haldia Energy Limited), c) organised retail (through RP-SG Retail Limited), and d) business process management, real estate, and FMCG (through RP-SG Business Process Services Limited). Post the unbundling, CESC Limited (CESC), along with the three resultant entities, will be listed on the stock exchanges, with a shareholding pattern which would mirror the present shareholding of CESC. The restructuring scheme would be effective from October 01, 2017, subject to receipt of requisite statutory approvals.

Incorporated in 1978, CESC Limited holds the licence to supply electricity in Kolkata and Howrah, covering an area of 567 sq. km., catering to about over 3.0 million consumers. ICRA notes that following the restructuring, CESC is poised to become a pure-play power distribution company, continuing to operate as a power distribution licensee for the Kolkata and Howrah region. Additionally, it will hold 49.55% stake in Noida Power Company Limited (a power distribution licensee in the Greater Noida region), and a 100% stake in the Kota, Bharatpur, and Bikaner distribution franchisees. CESC's own generation assets located at Budge Budge, Titagarh, and Southern, accumulating to 1,125 MW, and the associated Sarisatolli captive coal mine, will be transferred to Haldia Energy Limited (HEL).

Haldia Energy Limited, a part of the RP-SG Group, is at present a wholly-owned step-down subsidiary of CESC Limited. The company has a 2X300-MW thermal-based power generation unit in Haldia, West Bengal. The two units were commissioned on January 28, 2015 and February 21, 2015 respectively. Post the ongoing business restructuring, HEL's power generation capacity will increase to 1,725 MW and it will become the holding company for the RP-SG Group's other power generation assets, including the 2X300 MW IPP at Chandrapur, Maharashtra operating under Dhariwal Infrastructure Limited.

Dhariwal Infrastructure Limited is a part of the Kolkata based RP-SG Group, is also currently a wholly-owned step-down subsidiary of CESC Limited. The two generation units, with capacity of 300-MW each, were commissioned on February 11, 2014 (Unit-I) and August 2, 2014 (Unit-II). In addition to Dhariwal Infrastructure Limited, Crescent Power Limited (operating a 40-MW reject-based power plant, and an 18-MW solar power plant), and Surya Vidyut Limited (operating renewable energy assets accumulating to 190 MW) would also become step-down subsidiaries of HEL after the reorganisation.

CESC's organised retail business (currently operating under Spencer Retail Limited) and information technology/business process outsourcing business (currently operating under Firstsource Solutions Limited) will be transferred to two newly formed entities - RP-SG Retail Limited and RP-SG Business Process Services Limited respectively.

¹ Link to [CESC Limited's](#) latest rating rationale

² Link to [Haldia Energy Limited's](#) latest rating rationale

³ Link to [Dhariwal Infrastructure Limited's](#) latest rating rationale



ICRA believes that given the synergies associated with aggregating the related businesses under a simplified ownership structure, the re-organisation is expected to be beneficial in the medium to long term.

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