

BSES Kerala Power Limited

| Instrument | Amount | Rating Action |
|-----------------------|-----------------|--|
| Fund Based Limits | Rs. 42.00 crore | [ICRA]BBB+ (stable) reaffirmed |
| Non-Fund Based Limits | Rs. 12.00 crore | [ICRA]A2+ reaffirmed |
| Proposed Limits | Rs. 6.00 crore | [ICRA]BBB+ (stable) / [ICRA]A2+ reaffirmed |

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) and the short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) assigned to the fund based, non-fund based and proposed limits of BSES Kerala Power Limited (BKPL) aggregating to Rs. 60.00 crore[†]. The outlook on the long-term rating is Stable.

The reaffirmation of ratings takes into account the company's profitable track record of operations and the two-year extension in tenure of power purchase agreement (PPA) allowing use of liquid fuel post its expiry in October 2015. The company's financial profile remains favourable which is mainly supported by remunerative terms of the erstwhile PPA that allowed for pass through of fuel charges and timely cash collections from sole off-taker, KSEBL. The demand risks for the company are also partly mitigated by the continuing energy deficit scenario in the southern region of the country. The ratings also factor in the benefits of being part of Reliance Group (controlled by Mr. Anil D Ambani) that has established experience in execution and operations & maintenance (O&M) of power plants.

The ratings are however constrained by the uncertainty on the long-term plans of the company to convert its existing unit to a gas based plant for which it has sought approvals. Timely approval of the company's conversion plans and the cost reflective terms of the PPA would remain important. The ratings are further constrained by the uncompetitive cost structure of the company's power plant due to high cost of the fuel, viz. naphtha, which is further reflected in low levels of power off-take by KSEBL. While change of fuel from liquid fuel to natural gas would reduce the cost of generation from the existing levels, it would still remain on the higher side, due to dependence on R-LNG / pooled gas. ICRA also notes that the company remains exposed to the counter-party credit risks pertaining to KSEBL, though payments from KSEBL have been timely so far.

Company Profile

BSES Kerala Power Limited (BKPL) was incorporated on 4th April 1996. The company operates a 165 MW naphtha fired combined cycle power plant in Kochi, Kerala. It was promoted by BSES (83% equity) and Kerala State Industrial Development Corporation Ltd (17% equity). BKPL became part of Reliance Group (controlled by Mr. Anil D Ambani) post acquisition of BSES (Bombay Suburban Electric Supply) by the erstwhile Reliance Energy Ltd in 2002, which was later renamed Reliance Infrastructure Ltd (R-Infra) in 2008. In 2006, Kerala State Industrial Development Corporation Ltd sold its 17% stake to RIL, thereby making BKPL a wholly-owned subsidiary of R-Infra. The company is currently selling power to Kerala State Electricity Board Ltd (KSEBL) pursuant to its PPA which has been extended for a two-year period post its expiry on October 31, 2015.

For FY2015, BKPL reported Profit After Tax (PAT) of Rs. 33.63 crore on an operating income of Rs. 304.62 crore. For 6m-FY2016, BKPL has reported PAT of Rs. 8.86 crore on an operating income of Rs. 43.11 crore (provisional).

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* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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