सत्यमेव जयते

Ministry of Power
Government of India

State Distribution Utilities
Third Annual Integrated Rating

AUGUST, 2015

पीयूष गोयल
PIYUSH GOYAL

सत्यमेव जयते

विद्युत, कोयला एवं नवीन और नवीकरणीय ऊर्जा
राज्य मंत्री (स्वतंत्र प्रभार)
भारत सरकार
Minister of State (Independent Charge)
for Power, Coal and New & Renewable Energy
Government of India

Message

A strong and efficient distribution sector is vital for the growth and transformation of the power sector.

I am happy to know that the Third Annual Integrated Rating exercise covering the State Distribution Utilities, under the Integrated Rating Framework formulated by Ministry of Power (MoP), has been completed with the enthusiastic participation of all the utilities.

Formulation of the Integrated Rating methodology has been one of the important steps taken by MoP towards highlighting the focus areas for improvements in the Distribution sector.

I am sure that it would be useful to the utilities in analysing their performance and enable them to fine tune their plans to improve and make course corrections wherever required. It would also promote a healthy competitive spirit amongst the utilities and also promote learning of best practices adopted by their peers.

I trust the ratings would also enable the lending institutions to gain a better understanding of the dynamics of the distribution sector.

I congratulate all stakeholders, especially the state distribution utilities for their active role and support in the successful completion of the Third Annual Integrated Rating exercise.

Piyush Goyal

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6 August, 2015

MESSAGE

The distribution function provides the critical last mile connectivity in the power sector, with the state sector playing a dominant role. In order to bring sustainable improvements in the state power distribution sector, MoP has been emphasizing on the need for adoption of a holistic approach for addressing the various problems of the sector. Formulation of the Integrated Rating Methodology is part of the several initiatives of MoP to galvanise action towards bringing improvements in the performance of state distribution sector.

I am happy to note that the state distribution utilities have shown continued interest and keen enthusiasm in making the Third Integrated Rating exercise a success.

With the declaration of the Third Integrated Ratings by MoP, utilities would be able to analyse their performance over the last three years as reflected by their integrated ratings. This would enable them to chalk out suitable strategies and action plans for achieving better performance in the years to come.

I am sure that the Integrated Ratings would be extremely useful to banks/FIs while evaluating various funding proposals received by them from the power distribution utilities.

I would like to express my appreciation for the efforts made by the officials of MoP and State Distribution Utilities in making this rating exercise successful.

(P. K. Pujari)

RIGHT TO INFORMATION

स्वच्छ भारत
एक कदम स्वच्छता की ओर

Third Annual Integrated Ratings of State Power Distribution Utilities as per the Framework approved by Ministry of Power

Submitted by :

ICRA Limited

and

Credit Analysis and Research Ltd

ICRA

CARE Ratings
Professional Risk Opinion

August 2015

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Section I

Background, Utilities Covered and Scoring Methodology

BACKGROUND

The Integrated Rating methodology for State Power Distribution Utilities was developed by Ministry of Power (MoP) and unveiled in the State Power Ministers conference held in July 2012. The methodology was developed by MoP keeping in view poor financial health of State Distribution utilities and the need to base future funding exposures on an objective rating mechanism. The main objectives of developing the integrated rating methodology for the state distribution utilities are:

- To devise a mechanism for incentivising/dis-incentivising the entities in order to improve their operational & financial performance.
- To facilitate realistic assessment by Banks/FIs of the risks associated with lending exposures to various distribution utilities and enable funding with appropriate loan covenants for bringing improvement in operational, financial and managerial performance.
- May serve as a basis for Govt. assistance to the state power sector through various schemes like R-APDRP, NEF, etc.

MoP has mandated Power Finance Corporation (PFC) to co-ordinate the rating exercise, which in turn has appointed ICRA & CARE to carry out the rating exercise. The exercise does not cover State Power/Energy Departments and private sector distribution utilities.

First Integrated Ratings based on the performance during rating year FY 2012 covering 39 State Distribution Utilities were declared by MoP in March 2013. In January 2014, MoP approved modifications w.r.t. parameters relating to cost coverage and subsidy support. The Integrated Rating Methodology incorporating these modifications is given in Appendix. The Second Integrated Ratings, based on modified framework, were approved by MoP in February 2014.

The Third Integrated Rating exercise is based on the rating year FY 2014 and covers 40 State Distribution Utilities. ICRA & CARE have carried out rating for 21 utilities and 19 utilities respectively.

UTILITIES COVERED BY ICRA & CARE

S.No.	Names of Distribution Utilities
	Utilities graded by ICRA
1	Dakshin Gujarat Vij Company Limited
2	Uttar Gujarat Vij Company Limited
3	Madhya Gujarat Vij Company Limited
4	Paschim Gujarat Vij Company Limited
5	West Bengal State Electricity Distribution Company Limited
6	Maharashtra State Electricity Distribution Company Limited
7	Bangalore Electricity Supply Company Limited
8	Mangalore Electricity Supply Company Limited
9	Hubli Electricity Supply Company Limited
10	Gulbarga Electricity Supply Company Limited
11	Punjab State Power Corporation Limited
12	Assam Power Distribution Company Limited
13	Chamundeshwari Electricity Supply Corporation Limited
14	North Bihar Power Distribution Company Limited
15	South Bihar Power Distribution Company Limited
16	Tamil Nadu Generation & Corporation Limited
17	Purvanchal Vidyut Vitran Nigam Limited
18	Paschimanchal Vidyut Vitran Nigam Limited
19	Kanpur Electricity Supply Company Limited
20	Dakshinanchal Vidyut Vitran Nigam Limited
21	Madhyanchal Vidyut Vitran Nigam Limited
	Utilities graded by CARE
22	Southern Power Distribution Company of Andhra Pradesh Limited
23	Eastern Power Distribution Company of Andhra Pradesh Limited
24	Kerala State Electricity Board Limited
25	Southern Power Distribution Company of Telangana Limited
26	Himachal Pradesh State Electricity Board Limited
27	Northern Power Distribution Company of Telangana Limited
28	Chhattisgarh State Power Distribution Company Limited
29	Uttar Haryana Bijli Vitran Nigam Limited
30	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited
31	Dakshin Haryana Bijli Vitran Nigam Limited
32	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited
33	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited
34	Tripura State Electricity Corporation Limited
35	Uttarakhand Power Corporation Limited
36	Jaipur Vidyut Vitran Nigam Limited
37	Meghalaya Power Distribution Corporation Limited
38	Ajmer Vidyut Vitran Nigam Limited
39	Jodhpur Vidyut Vitran Nigam Limited
40	Jharkhand State Electricity Board

RATING APPROACH / INPUTS

The broad parameters that have been used for the rating are as follows:

S.No.	Parameters	Weightage
1	Financial Performance	63, -21
2	Audited Accounts	5, -12
3	Cross Subsidy	0, -2
4	Reform Measures - Unbundling & Corporatisation	0, -5
5	Regulatory Environment	15, -15
6	Forward Looking Parameters	5, -1
7	Incentive / Bonus Marks	12
	Maximum Score	**100**

Scores have been assigned both on the basis of absolute & relative improvement in operational and financial performance parameters. Financial performance parameters like subsidy received, cost coverage ratio, AT&C losses, financial planning, etc carry the maximum weightage of about 60%.Efficient Regulatory practices is the second most important factor holding weightage of 15%. These include Issue of regulatory guidelines, Issue of tariff guidelines, Timely filing of tariff petition & Timely issue of tariff order. Other parameters relating to submission of audited accounts, metering, IT & computerisation, no default to Banks/FIs, Renewable energy purchase obligations compliance, etc account for around 25%. Certain parameters carry negative scores on non compliance like Non auditing of accounts (upto minus 12%), SEBs unbundling (upto minus 5%), Non filing of tariff petition (upto minus 5%), Deterioration of AT&C loss (upto minus 5%), Untreated revenue gap (upto minus 5%), Increase in payables, presence of regulatory assets, negative net worth (each upto minus 3%). The methodology used in the current rating exercise is by and large the same, however, in January 2014, MoP approved modifications w.r.t. parameter relating to cost coverage. As per these modifications, there has been a change in calculation method (formula) and also some recalibration in the score ranges for cost coverage ratio as compared to the previous rating methodology. Recoveries against any one time items/ arrears are now disallowed in the calculation of cost coverage ratio. However, in the absence of availability of information pertaining to this change in cost coverage calculation, for most of the discoms, the change could not be incorporated.

The rating has been based primarily on data submitted by the SEBs / State distribution utilities in response to questionnaires sent by the rating agencies. Other sources of data accessed include Audited Accounts, Annual Administrative Reports, assessment of Financial Resources for Annual Plan submitted to the Planning Commission and Tariff Orders issued by the SERCs.

The data collected, as above, has been supplemented with meetings with key officials of the SEBs / State distribution utilities.

Section II
Grading Scale & Utility-wise Grades

GRADING SCALE AND GRADES

Score Distribution	Grade	No. of Utilities	Grading Definition
Between 80 and 100	A+	5	Very High Operational and Financial Performance Capability
Between 65 and 80	A	2	High Operational and Financial Performance Capability
Between 50 and 65	B+	10	Moderate Operational and Financial Performance Capability
Between 35 and 50	B	13	Below Average Operational and Financial Performance Capability
Between 20 and 35	C+	8	Low Operational and Financial Performance Capability
Between 0 and 20	C	2	Very Low Operational and Financial Performance Capability

The grading scale of **'A+ to C'** is ***different*** from the prevalent rating scale adopted by CRAs **(AAA to D)** as the prevalent rating measures the degree of safety regarding timely servicing of financial obligations based on "probability of default"; *however*, current grading exercise analyzes the operational and financial health of the distribution entities based on the rating framework approved by Ministry of Power. Further, credit rating for distribution utilities entails comparison with other corporates, as compared to the integrated rating exercise wherein comparison of the entity is done with other distribution utilities only.

Utility - wise Grades

S.No.	Name of Utility	Rating Agency	3rd IR Grade
1	Dakshin Gujarat Vij Company Limited	ICRA	A+
2	Madhya Gujarat Vij Company Limited	ICRA	A+
3	Uttar Gujarat Vij Company Limited	ICRA	A+
4	Paschim Gujarat Vij Company Limited	ICRA	A+
5	Punjab State Power Corporation Limited	ICRA	A+
6	Maharashtra State Electricity Distribution Company Limited	ICRA	A
7	Uttarakhand Power Corporation Limited	CARE	A
8	Mangalore Electricity Supply Company Limited	ICRA	B+
9	Bangalore Electricity Supply Company Limited	ICRA	B+
10	Chhattisgarh State Power Distribution Company Limited	CARE	B+
11	North Bihar Power Distribution Company Limited	ICRA	B+
12	West Bengal State Electricity Distribution Company Limited	ICRA	B+
13	Eastern Power Distribution Company of AP Limited	CARE	B+
14	Himachal Pradesh State Electricity Board Limited	CARE	B+
15	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	CARE	B+
16	Southern Power Distribution Company of Telengana Limited	CARE	B+
17	Southern Power Distribution Company of AP Limited	CARE	B+
18	Assam Power Distribution Company Limited	ICRA	B
19	Chamundeshwari Electricity Supply Corporation Limited	ICRA	B
20	Northern Power Distribution Company of Telangana Limited	CARE	B
21	Uttar Haryana Bijli Vitran Nigam Limited	CARE	B
22	Kerala State Electricity Board Limited	CARE	B
23	South Bihar Power Distribution Company Limited	ICRA	B
24	Gulbarga Electricity Supply Company Limited	ICRA	B
25	Dakshin Haryana Bijli Vitran Nigam Limited	CARE	B
26	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	CARE	B
27	Tamil Nadu Generation and Distribution Corporation	ICRA	B
28	Jodhpur Vidyut Vitran Nigam Limited	CARE	B
29	Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited	CARE	B
30	Paschimanchal Vidyut Vitaran Nigam Limited	ICRA	B
31	Tripura State Electricity Corporation Limited	CARE	C+
32	Ajmer Vidyut Vitran Nigam Limited	CARE	C+
33	Hubli Electricity Supply Company Limited	ICRA	C+
34	Madhyanchal Vidyut Vitran Nigam Limited	ICRA	C+
35	Jaipur Vidyut Vitran Nigam Limited	CARE	C+
36	Purvanchal Vidyut Vitaran Nigam Limited	ICRA	C+
37	Kanpur Electricity Supply Company Limited	ICRA	C+
38	Meghalaya Power Distribution Corporation Limited	CARE	C+
39	Dakshinanchal Vidyut Vitran Nigam Limited	ICRA	C
40	Jharkhand State Electricity Board	CARE	C

Section III

Summary of State Power Distribution Utilities – Ratings

DAKSHIN GUJARAT VIJ COMPANY LIMITED

A+

Background

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies, namely Gujarat Urja Vikas Nigam Limited (GUVNL) - the holding company, Gujarat State Electricity Corporation Limited (GSECL) - generation company, Gujarat Energy Transmission Corporation Limited (GETCO) - transmission company and four power distribution companies namely, Dakshin Gujarat Vij Company Limited (DGVCL), Uttar Gujarat Vij Company Limited (UGVCL), Paschim Gujarat Vij Company Limited (PGVCL) and Madhya Gujarat Vij Company Limited (MGVCL).

Key Strengths

- Consistent track record of profitable operations aided by cost reflective tariffs and healthy cash collections
- Timely submission of audited accounts, with the audited accounts for FY 2014 being submitted by September 30, 2014
- Completion of unbundling and corporatization of erstwhile Gujarat Electricity Board (GEB) w.e.f. April 2005
- Comfortable cost coverage ratio and capital structure; Sound financial flexibility
- Healthy cash collections from the consumers, also aided by improvement in AT&C Loss Levels which remained at 7.50% for FY 2014
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is operational, allowing the increase in such ‘uncontrollable’ cost items to be recovered from consumers on quarterly basis
- Regulatory clarity in place, with timely filing of tariff petitions by discoms and issuance of tariff orders by the Gujarat Electricity Regulatory Commission (GERC) for the discoms

Key Concerns

- Absolute subsidy dependence for the State as a whole remains high despite some moderation in FY 2014, given the subsidized nature of tariff particularly towards agriculture consumers
- Subsidy dues receivable from GoG for the sector as a whole have built-up from ₹ 727.7 crore as on March 31, 2010 to ₹ 3313 crore as on March 31, 2014, due to budgetary allocation for a year remaining lower than actual subsidy claims. On annual basis, actual subsidy received has always been 100% of the budgetary allocation. However, the budgetary allocation has been lower than the actual claim leading to increase in outstanding subsidies
- Gains from trading of surplus power for the sector as a whole have come down in FY 2014, as a result of lower quantum of such sales, contraction in bilateral traded tariff as well as an increasing cost of power purchase

MADHYA GUJARAT VIJ COMPANY LIMITED

A+

Background

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies, namely Gujarat Urja Vikas Nigam Limited (GUVNL) - the holding company, Gujarat State Electricity Corporation Limited (GSECL) - generation company, Gujarat Energy Transmission Corporation Limited (GETCO) - transmission company and four power distribution companies namely, Dakshin Gujarat Vij Company Limited (DGVCL), Uttar Gujarat Vij Company Limited (UGVCL), Paschim Gujarat Vij Company Limited (PGVCL) and Madhya Gujarat Vij Company Limited (MGVCL).

Key Strengths

- Consistent track record of profitable operations aided by cost reflective tariffs and healthy cash collections
- Timely submission of audited accounts, with the audited accounts for FY 2014 being submitted by September 30, 2014
- Completion of unbundling and corporatization of erstwhile Gujarat Electricity Board (GEB) w.e.f. April 2005
- Comfortable cost coverage ratio and capital structure; Sound financial flexibility
- Healthy cash collections from the consumers, also aided by improvement in AT&C Loss Levels which remained at 13.10% for FY 2014
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is operational, allowing the increase in such 'uncontrollable' cost items to be recovered from consumers on quarterly basis
- Regulatory clarity in place, with timely filing of tariff petitions by discoms and issuance of tariff orders by the Gujarat Electricity Regulatory Commission (GERC) for the discoms

Key Concerns

- Absolute subsidy dependence for the State as a whole remains high despite some moderation in FY 2014, given the subsidized nature of tariff particularly towards agriculture consumers
- Subsidy dues receivable from GoG for the sector as a whole have built-up from ₹ 727.7 crore as on March 31, 2010 to ₹ 3313 crore as on March 31, 2014, due to budgetary allocation for a year remaining lower than actual subsidy claims. On annual basis, actual subsidy received has always been 100% of the budgetary allocation. However, the budgetary allocation has been lower than the actual claim leading to increase in outstanding subsidies
- Gains from trading of surplus power for the sector as a whole have come down in FY 2014, as a result of lower quantum of such sales, contraction in bilateral traded tariff as well as an increasing cost of power purchase

UTTAR GUJARAT VIJ COMPANY LIMITED

A+

Background

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies, namely Gujarat Urja Vikas Nigam Limited (GUVNL) - the holding company, Gujarat State Electricity Corporation Limited (GSECL) - generation company, Gujarat Energy Transmission Corporation Limited (GETCO) - transmission company and four power distribution companies namely, Dakshin Gujarat Vij Company Limited (DGVCL), Uttar Gujarat Vij Company Limited (UGVCL), Paschim Gujarat Vij Company Limited (PGVCL) and Madhya Gujarat Vij Company Limited (MGVCL).

Key Strengths

- Consistent track record of profitable operations aided by cost reflective tariffs and healthy cash collections
- Timely submission of audited accounts, with the audited accounts for FY2014 being submitted by September 30, 2014
- Completion of unbundling and corporatization of erstwhile Gujarat Electricity Board (GEB) w.e.f. April 2005
- Comfortable cost coverage ratio and capital structure; Sound financial flexibility
- Healthy cash collections from the consumers, also aided by improvement in AT&C Loss Levels which remained at 6.61% for FY 2014
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is operational, allowing the increase in such 'uncontrollable' cost items to be recovered from consumers on quarterly basis
- Regulatory clarity in place, with timely filing of tariff petitions by discoms and issuance of tariff orders by the Gujarat Electricity Regulatory Commission (GERC) for the discoms

Key Concerns

- Absolute subsidy dependence for the State as a whole remains high despite some moderation in FY 2014, given the subsidized nature of tariff particularly towards agriculture consumers
- Subsidy dues receivable from GoG for the sector as a whole have built-up from ₹ 727.7 crore as on March 31, 2010 to ₹ 3313 crore as on March 31, 2014, due to budgetary allocation for a year remaining lower than actual subsidy claims. On annual basis, actual subsidy received has always been 100% of the budgetary allocation. However, the budgetary allocation has been lower than the actual claim leading to increase in outstanding subsidies
- Gains from trading of surplus power for the sector as a whole have come down in FY 2014, as a result of lower quantum of such sales, contraction in bilateral traded tariff as well as an increasing cost of power purchase

PASCHIM GUJARAT VIJ COMPANY LIMITED

A+

Background

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies, namely Gujarat Urja Vikas Nigam Limited (GUVNL) - the holding company, Gujarat State Electricity Corporation Limited (GSECL) - generation company, Gujarat Energy Transmission Corporation Limited (GETCO) - transmission company and four power distribution companies namely, Dakshin Gujarat Vij Company Limited (DGVCL), Uttar Gujarat Vij Company Limited (UGVCL), Paschim Gujarat Vij Company Limited (PGVCL) and Madhya Gujarat Vij Company Limited (MGVCL).

Key Strengths

- Consistent track record of profitable operations aided by cost reflective tariffs and healthy cash collections
- Timely submission of audited accounts, with the audited accounts for FY 2014 being submitted by September 30, 2014
- Completion of unbundling and corporatization of erstwhile Gujarat Electricity Board (GEB) w.e.f. April 2005
- Healthy cash collections from the consumers, comfortable cost coverage ratio and capital structure; Sound financial flexibility
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is operational, allowing the increase in such 'uncontrollable' cost items to be recovered from consumers on quarterly basis
- Regulatory clarity in place, with timely filing of tariff petitions by discoms and issuance of tariff orders by the Gujarat Electricity Regulatory Commission (GERC) for the discoms

Key Concerns

- Absolute subsidy dependence for the State as a whole remains high despite some moderation in FY 2014, given the subsidized nature of tariff particularly towards agriculture consumers
- Subsidy dues receivable from GoG for the sector as a whole have built-up from ₹ 727.7 crore as on March 31, 2010 to ₹ 3313 crore as on March 31, 2014, due to budgetary allocation for a year remaining lower than actual subsidy claims. On annual basis, actual subsidy received has always been 100% of the budgetary allocation. However, the budgetary allocation has been lower than the actual claim leading to increase in outstanding subsidies
- Although AT&C loss levels have improved over the years, they still remain high at 23.4% for FY 2014
- Gains from trading of surplus power for the sector as a whole have come down in FY 2014, as a result of lower quantum of such sales, contraction in bilateral traded tariff as well as an increasing cost of power purchase

PUNJAB STATE POWER CORPORATION LIMITED

A+

Background

Punjab State Electricity Board was unbundled into two successor entities on April 16, 2010 i.e. PSPCL and PSTCL; PSPCL entrusted with Generation, Trading and Distribution functions and PSTCL entrusted with Transmission and State Load Despatch functions. PSPCL was formed pursuant to the implementation of Punjab Power Sector Reforms Transfer Scheme (Transfer Scheme) by the Government of Punjab.

Key Strengths

- Net profit reported in the last two years
- Comfortable capital structure post restructuring
- Improving revenue levels and satisfactory AT&C Loss levels
- Unbundling and corporatization of the erstwhile PSEB
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is operational, allowing the increase in such 'uncontrollable' cost items to be recovered from consumers on quarterly basis
- Low receivable and payable days

Key Concerns

- Delays in debt servicing in interest payment of working capital loans
- Absolute subsidy dependence for the state as a whole remains high, given the subsidized nature of tariff particularly towards agriculture consumers
- Low regulatory clarity, as reflected by the fact that no true-up petition has been filed for the last two years
- Audited accounts for FY 2014 have not been made available till December 2014

PSPCL has been able to improve upon its revenue realized vis-a-vis expenditure booked which has led to an improvement in its cost coverage, the score in AT&C loss too has improved marginally over last year. Further the discom has reported net profit in the last two years, and the level of cross subsidy is below 20%, higher scoring in these parameters have resulted in the rating change for the power utility.

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED

A

Background

The Government of Maharashtra unbundled and restructured the erstwhile Maharashtra State Electricity Board (MSEB) with effect from 6th June, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Maharashtra State Electricity Board were transferred to four successor companies, namely MSEB Holding Company Limited (MHCL), Maharashtra State Power Generation Company Linited (MSPGCL), Maharashtra State Electricity Transmission Company Limited (MSETCL) and Maharashtra State Electricity Distribution Company Limited (MSEDCL).

Key Strengths

- Continued improvement in AT&C losses in FY 2014 on account of measures such as network strengthening, anti-theft measures and distribution franchisee scheme
- Timely receipt of subsidy support from State Government
- MSEDCL is the first utility in the country to successfully demonstrate the implementation of distribution franchisee scheme in 2007, which is also being implemented in other cities namely, Jalgaon, Aurangabad, & Nagpur since May 2011
- Fuel Adjustment Cost (FAC) mechanism with a ceiling is in place
- Compliance with non-solar RPO target level in place to a large extent

Key Concerns

- Significant delays in tariff determination since FY 2014
- High leveraging levels, due to working capital debt as well as debt funding for capex
- Significant dependence on subsidy support from State Government, which has also seen an increasing trend due to rise in cost of power supply & continuing subsidized nature of tariff towards agriculture category
- Cost of supply remains vulnerable due to dependence on short term sources of power, given the continuing power deficit situation in the State

In respect of financial performance, improvement in cost coverage and interest coverage ratios, reduced AT&C losses, improved sustainability parameters and collection of receivables have resulted in an increase in score notwithstanding weakened subsidy support received by MSEDCL during the year. The company's score in terms of submission of audited accounts has also improved on account of timely submission of the accounts. Another major improvement in the scoring is in the cross subsidy section where the company has reported a better score because of higher tariff for subsidizing categories. MSEDCL has also scored higher in the regulatory environment section on account of filing of tariff petition for FY 2015 and timely completion of true-up process for FY 2013. Improvement in pass through of fuel cost by MSEDCL has also resulted in a higher score.

UTTARAKHAND POWER CORPORATION LIMITED

A

Background

Uttarakhand Power Corporation Limited (UPCL), formerly Uttaranchal Power Corporation Limited was incorporated under the Companies Act, 1956 on February 12, 2001 consequent upon the formation of the State of Uttaranchal. UPCL was entrusted to cater to the Transmission & Distribution Sectors inherited after the de-merger from Uttar Pradesh Power Corporation Limited since April 01, 2001. On June 01, 2004, Power Transmission Corporation of Uttarakhand Limited was formed to maintain and operate Transmission lines and substations while UPCL catered to sub-transmission/ distribution lines in the State. UPCL is a company wholly owned by the State Government and operates as the sole distribution licensee engaged in the business of distribution and retail supply of power in the State.

Key Strengths

- Improvement in cost coverage and reduction in AT& C losses
- Improvement on regulatory front in terms of adoption of Multi-Year Tariff (MYT) for the first control period FY 2014 to FY 2016
- Timely filing of tariff petition for FY 2016 and true-up order for FY 2013 (year prior to previous year i.e. FY 2014) on the basis of audited accounts
- No subsidy support from the State Government and high consumer metering of 99.28%

Key Concerns

- Negative net worth as on March 31, 2014 (Audited) despite profits earned during FY 2014
- High receivable levels as reflected by collection period of 207 days
- Concerns on quality of accounts as depicted by auditor comments pertaining to inadequate internal control systems; non-payment of statutory dues such as electricity duty, wealth tax etc.

UPCL's grade has improved on account of improvement in cost coverage from 0.93 in FY 2013 and 1.02 in FY 2014 as there has not been much increase in expenditure whereas revenue realization has been increasing. The same also led to above unity interest coverage during FY 2014. Its AT&C losses improved from 22.1% in FY13 and 19.4% in FY 2014 supported by lower T&D losses due to increased billing (99.28% metering). The utility does not have any subsidy support from state leading to higher marks for subsidy parameter. It also has favorable regulatory environment with timely filing of tariff petition, issue of MYT order, True-up order and zero regulatory assets.

MANGALORE ELECTRICITY SUPPLY COMPANY LIMITED

B+

Background

Government of Karnataka initiated reform process in the state power sector during 1999-2000 with enactment of Karnataka Electricity Reforms Act (KERA) 1999. As part of these reforms, Karnataka Electricity Regulatory Commission (KERC) was set up in November 1999 and the erstwhile Karnataka Electricity Board (KEB) was unbundled on functional lines into a transmission & distribution company called Karnataka Power Transmission Corporation Limited (KPTCL) and a generating company called Visvesvaraya Vidyuth Nigam Limited (VVNL) in April 2000. Thereafter, KPTCL was further unbundled into 5 independent companies effective from June 1, 2002, with one transmission company named KPTCL and four distribution companies namely Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Gulbarga Electricity Supply Company Limited (GESCOM). Later in November 2005, erstwhile MESCOM was split-up into two companies namely MESCOM and Chamundeshwari Electricity Supply Corporation Limited (CESCOM).

Key Strengths

- Best among Karnataka DISCOMs in distribution losses and operational efficiency
- Comfortable capital structure although primarily at cost of non-payment to state generator
- More than 90% of power purchased through long term power purchase agreements in FY 2014
- Power utilities in Karnataka are already unbundled and corporatized; regulatory clarity in the State, with multi-year tariff regime in place and regular tariff filings and tariff orders issuance observed.
- Submission of audited accounts for FY 2014 before September 2014

Key Concerns

- Cost coverage has remained modest in FY 2014, although it has shown improvement compared to past period
- High pending receivables
- High payable days as MESCOM has been delaying on payments to state generation utility Karnataka Power Corporation Limited (KPCL)
- Significant dependence on subsidy support from government on account of high proportion of agriculture consumers

BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED

B+

Background

Government of Karnataka initiated reform process in the state power sector during 1999-2000 with enactment of Karnataka Electricity Reforms Act (KERA) 1999. As part of these reforms, Karnataka Electricity Regulatory Commission (KERC) was set up in November 1999 and the erstwhile Karnataka Electricity Board (KEB) was unbundled on functional lines into a transmission & distribution company called Karnataka Power Transmission Corporation Limited (KPTCL) and a generating company called Visvesvaraya Vidyuth Nigam Limited (VVNL) in April 2000. Thereafter, KPTCL was further unbundled into 5 independent companies effective from June 1, 2002, with one transmission company named KPTCL and four distribution companies namely Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Gulbarga Electricity Supply Company Limited (GESCOM). Later in November 2005, erstwhile MESCOM was split-up into two companies namely MESCOM and Chamundeshwari Electricity Supply Corporation Limited (CESCOM).

Key Strengths

- Largest among Karnataka DISCOMs and accounts for ~50% of total energy sold in the state; Consumer profile is also favorable with good mix of HT and Commercial consumers
- BESCOM's AT&C loss level has remained satisfactory showing a declining trend and is below average among all Karnataka DISCOMs
- More than 85% of power purchased through long term power purchase agreements in FY 2014
- Power utilities in Karnataka are already unbundled and corporatized; regulatory clarity in the State, with multi-year tariff regime in place and regular tariff filings and tariff orders issuance observed

Key Concerns

- Cost coverage has remained modest for BESCOM thus adversely affecting the profitability of the utility
- Interest coverage is modest, while capital structure is constrained by increasing debt levels and accumulated losses
- High level of pending receivables
- Relatively high level of tariff imposed on commercial/ industrial consumers to cross-subsidize other consumer segments

CHHATTISGARH STATE POWER DISTRIBUTION COMPANY LIMITED

B+

Background

Erstwhile Chhattisgarh State Electricity Board (CSEB) was unbundled in 2009 and consequently, the State has one holding company namely, Chhattisgarh State Power Holding Company Limited and one company each for generation, trading, transmission, and distribution functions namely Chhattisgarh State Power Generation Company Limited, Chhattisgarh State Power Trading Company Limited, Chhattisgarh State Power Transmission Company Limited and Chhattisgarh State Power Distribution Company Limited (CSPDCL). CSPDCL supplies power to the entire state of Chhattisgarh. Its consumer base stood at 40.42 lakh as at end-FY 2014. As per the audited results provided for FY 2014, CSPDCL registered total revenue of ₹7,578 crore and net loss of ₹630 crore.

Key Strengths

- Continuous Improvement in AT&C loss levels and cost coverage
- Timely filing of tariff petitions and issue of tariff order as well as true-up order
- Implementation of key reform measures such as near 100% metering, presence of a dedicated IT cell, special courts for anti-theft measures, setting up of consumer service centers and satisfactory debt repayment record
- Mechanism in place for automatic pass through of fuel cost
- Satisfactory progress in terms of reforms and restructuring, which includes unbundling, presence of MYT norms etc, 100% utilization of R-APDRP scheme

Key Concerns

- Weak financial parameters specifically pertaining to cost coverage and interest coverage due to subdued financial performance in FY 2014
- Considerable losses during FY 2013 and FY 2014 resulted in erosion of net worth and poor debt coverage parameters
- Partial provision of gratuity and pension liabilities for FY 2012, FY 2013 and FY 2014, which was qualified by the auditors in their report for FY 2014
- High extent of cross subsidy and delayed payment of subsidy
- Relatively high payable days of CSPDCL
- Weak capital structure with negative net-worth

NORTH BIHAR POWER DISTRIBUTION COMPANY LIMITED

B+

Background

Under the new 'Bihar State Electricity Reforms Transfer Scheme 2012', the Bihar State Electricity Board (BSEB) has been unbundled into five companies w.e.f. November 1, 2012: Bihar State Power (Holding) Company Limited (BSPHCL), Bihar State Power Transmission Company Limited (BSPTCL), Bihar State Power Generation Company Limited (BSPGCL) and two distribution companies viz. South Bihar Power Distribution Company Limited (SBPDCL) and North Bihar Power Distribution Company Limited (NBPDCL). BSPHCL owns the shares of the newly-incorporated four other companies.

Key Strengths

- Satisfactory progress in terms of reforms and restructuring of the sector, which includes unbundling on functional lines and corporatization
- Timely receipt of subsidy from the State Government
- Effective functioning of the Bihar Electricity Regulatory Commission
- Regulatory clarity in place, with tariff order for the current year - FY 2015 in place and timely filing of tariff petition/orders
- Timely availability of audited financial accounts for FY 2014
- Implementation/steady progress in key reform measures such as special courts for anti-theft measures, unbundling of utilities, setting up of consumer grievance forums, etc.
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is operational, allowing the increase in such 'uncontrollable' cost items to be recovered from consumers on monthly basis

Key Concerns

- Significant amount of prior period expenses of ₹ 100.25 crore in FY 2014 despite the Transfer Scheme effected during 2012
- Significant amount of Write off in the debtors (₹ 648.04 crore) effected in the financials of FY 2013 (₹ 1361 crore to ₹ 712.96 crore), without a corresponding provision in the P&L statement
- High level of AT&C losses at 42.2%, although it has shown improvement over the last year
- High amount of receivables, although the same has shown a declining trend over the years
- High and growing dependence on subsidy support
- Delays in debt servicing since FY 2011, as reflected in significant amount of interest accrued and due

WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED

B+

Background

The erstwhile West Bengal State Electricity Board (WBSEB) has been unbundled into West Bengal State Electricity Distribution Company Limited (WBSEDCL) and West Bengal State Electricity Transmission Company Limited (WBSETCL) in accordance with the transfer scheme notified by the Government of West Bengal dated January 25, 2007. WBSEDCL is a power distribution licensee and holds around 1,068 MW of hydro power generation capacity.

Key Strengths

- Monthly Variable Cost Adjustment (MVCA) framework is operational, allowing for a mechanism for pass-on of increases in power purchase cost
- Limited dependence on State Government subsidy; subsidy is received in a timely manner from the State Government
- Long maturity profile of outstanding debt on WBSEDCL's book
- Timely finalization of audited accounts
- Improvement in collection efficiency in FY 2014 over FY 2013
- Favorable consumption mix, as reflected by a low share of agricultural connections as compared to the industrial and commercial segments, which have higher tariffs

Key Concerns

- Low cost coverage ratio (~0.82 times) in FY 2014
- Overall AT&C loss levels have continued to remain above 30%; moreover, distribution loss levels continue to remain higher than as allowed by West Bengal Electricity Regulatory Commission (WBERC), leading to disallowance of power purchase costs, which adversely affects allowed returns
- Significant increase in short term borrowing levels from FY 2011 onwards, exposes the company to refinancing risks, and also leading to a deterioration in capital structure
- Substantial build-up of regulatory assets pertaining to increase in power purchase costs and employee cost due to pay revision; however, WBERC has allowed the carrying cost on regulatory assets

The rating change has been largely driven by deterioration in scoring against a) Financial parameters and b) Regulatory parameters. WBSEDCL's cost coverage has declined to 0.82 time in FY 2014. Moreover, with the MYT order for the period FY 2015 – FY 2017 yet to be released (as in Feb'15), and the tariff petition for FY 2016 yet to be filed, the scoring against regulatory parameter has declined. Scoring against subsidy support decreased primarily on account of a change in scoring methodology. Increase in WBSEDCL's debt has led to a consequent deterioration in capital structure and interest coverage indicators. WBSEDCL's level of receivables and payables has seen a y-o-y increase.

EASTERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED B+

Background

On February 1, 1999, the Government of Andhra Pradesh (GoAP) initiated the first phase of reforms and restructuring in AP's power sector by unbundling erstwhile APSEB into APGENCO and APTRANSCO to cater the generation and transmission & distribution respectively. APTRANSCO was further reorganized into four distribution companies to cater to the needs of the different districts of erstwhile Andhra Pradesh (AP). Accordingly, The Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL) was formed on March 31, 2000 and is engaged in distribution and bulk supply of power in the Eastern region of Andhra Pradesh. APEPDCL covers the five circles viz. Srikakulam, Visakhapatnam, Vizianagaram, East and West Godavari districts & 20 Divisions of Coastal Andhra Pradesh and caters to consumer base of about 50 lakh.

Key Strengths

- Relatively lower AT&C loss (about 9.44% in FY 2014)
- Relatively shorter collection period (59 days in FY 2014)
- Low level of subsidy and timely receipt of tariff subsidy from the Government of Andhra Pradesh (GoAP)
- Timely availability of audited accounts
- Implementation of key reform measures such as unbundling on functional lines, anti-theft measures, customer service, call centre, etc.

Key Concerns

- Delay in filing of tariff petition (for FY 2016) and non-issuance of tariff order for FY 2015, thereby resulting in weakening of the regulatory environment
- Absence of true-up order and pending approval of MYT Petition
- Net losses registered during FY 2013 and FY 2014
- Weak capital structure with negative net-worth

HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED

B+

Background

The erstwhile Himachal Pradesh State Electricity Board (HPSEB) was constituted in the year 1971. Erstwhile HPSEB carried out functions of generation, transmission and distribution for the state of Himachal Pradesh up to June 10, 2010. In June 2010, Government of Himachal Pradesh (GoHP), transferred the functions of distribution, trading and generation of electricity to Himachal Pradesh State Electricity Board Limited (HPSEBL) and the function of evacuation of power by transmission lines to Himachal Pradesh Power Transmission Company Limited, vide the Himachal Pradesh Power Sector Reforms Transfer Scheme, 2010. HPSEBL is responsible for the development, (planning, designing, and construction), operation and maintenance of power distribution system in Himachal Pradesh with inherent trading functions. Ownership and O&M of generating stations of erstwhile HPSEB and new commissioned projects was also given to HPSEBL.

Key Strengths

- Relatively low level of AT&C losses
- Comfortable collection period of 32 days as on March 31, 2014
- Timely filing of tariff petitions and issue of tariff order
- Satisfactory progress in terms of reforms and restructuring, which includes unbundling, adoption of MYT framework etc.
- Implementation/steady progress in key reform measures such as 100% consumer metering, setting up of call centre etc.
- Significant sourcing of power through hydro power plants

Key Concerns

- Deterioration in cost coverage ratio in FY 2014 over FY 2013 on account of increase in debtors from sale of power and subsidy receivables
- Non receipt of subsidy assessed during FY 2014, leading to built up of subsidy receivables
- High operating cost primarily due to high employee expenses
- Low interest coverage, net losses, deterioration of net-worth and high total debt
- Significant delay in making the audited financials available

HPSEBL's grade has deteriorated largely on account of decline in cost coverage from 0.94 in FY 2013 to 0.89 in FY 2014 due to lower revenue realization on account of increase in receivables and unpaid subsidy. The utility did not receive subsidy during FY 2014 as against partial receipt of subsidy during FY 2013.

MADHYA PRADESH PASCHIM KSHETRA VIDYUT VITARAN COMPANY LIMITED B+

Background

Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVV) is an unbundled state power distribution company of erstwhile Madhya Pradesh State Electricity Board (MPSEB). As per the Madhya Pradesh Vidyut Sudhar Adhiniyam 2000 of the Government of Madhya Pradesh (GoMP), the erstwhile MPSEB was unbundled into a generation company, a transmission company and three distribution companies (Discoms) with effect from November 1, 2002. MP Power Generating Company Limited (MPPGCL) was incorporated as the sole generation company, MP Power Transmission Company Limited (MPPTCL) was incorporated as the sole transmission company and three Discoms were incorporated in the form of MP Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVV), MP Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVV) and MP Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVV).

Key Strengths

- Continuous improvement in AT&C losses
- Healthy collection efficiency of more than 100%
- Limited reliance on external debt as large part of debt is extended in the form of perpetual and other loans from GoMP
- Timely receipt of subsidy from the State Government and approval of financial restructuring plan
- Fuel cost adjustment framework is operational, allowing the increase in such 'uncontrollable' cost to be recovered from consumers on monthly basis
- Unbundling of MPSEB and regular tariff revisions in past few years, albeit with only marginal revision in FY 2014

Key Concerns

- Relatively low cost coverage of 0.86 each in FY 2014
- Accumulated losses from the past have led to a negative net-worth
- Elongated collection period of 141 days in FY 2014
- Low level of metering (76% in FY 2014)
- Delay in filing of tariff petition for FY 2015 and issue of true-up order for FY 2013

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED B+

Background

Southern Power Distribution Company of Telangana Limited (TSSPDCL), erstwhile APCPDCL (Andhra Pradesh Central Power Distribution Company Limited) is operating in the state of Telangana covering five districts and catering to over 8 million consumers. Erstwhile APCPDCL was formed on March 31, 2000. Consequent on enactment of Andhra Pradesh (AP) Reorganisation Bill, 2014, the name of the Company has been changed to Southern Power Distribution Company of Telangana Limited with effect from June 02, 2014. Presently TSSPDCL operates as a distribution licensee in the southern part of Telangana covering five districts, i e, Hyderabad, Mahaboobnagar, Nalgonda, Medak and Rangareddy.

Key Strengths

- Low Aggregate Technical and Commercial (AT&C) losses
- Healthy collection efficiency of 98.87% in FY 2014
- Timely receipt of tariff subsidy
- Implementation of the Financial Restructuring Plan (FRP) during FY 2014
- Completion of unbundling and corporatization of erstwhile State Electricity Board

Key Concerns

- Absence of tariff order for FY 2015
- Absence of true-up and pending approval of MYT Petition
- Net losses registered during FY 2013 and FY 2014
- Absence of automatic pass through of fuel cost
- Weak capital structure with a negative net-worth

SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED B+

Background

On February 1, 1999, the Government of Andhra Pradesh (GoAP) initiated the first phase of reforms and restructuring in AP's power sector by unbundling erstwhile APSEB into APGENCO and APTRANSCO to cater the generation and transmission & distribution respectively. APTRANSCO was further reorganized into four distribution companies to cater to the needs of the different districts of erstwhile Andhra Pradesh (AP). In this process, Andhra Pradesh Southern Electricity Distribution Company was formed in April 1, 2000, to serve Krishna, Guntur, Prakasam, Nellore, Chittoor and Kadapa districts. After the bifurcation of the erstwhile Andhra Pradesh into the two new states of Andhra Pradesh and Telangana on June 2, 2014, two more districts Anantapur and Kurnool were added to the APSPDCL.

Key Strengths

- Relatively low AT&C losses of 16.26% in FY 2014
- Cash profit booked in FY 2014, mainly on account of the increase in subsidies and grants
- Improvement in cost coverage from 0.80 in FY 2013 to 0.90 in FY 2014
- Timely receipt of tariff subsidy from GoAP and relatively shorter collection period (approximately 45 days in FY 2014)

Key Concerns

- Delay in filing of tariff petition and absence of tariff order
- Low collection efficiency of 93.75% in FY 2014
- Net losses in FY 2014 have resulted in further erosion in net-worth of the company
- Absence of true-up order
- Unfavorable capital structure

ASSAM POWER DISTRIBUTION COMPANY LIMITED

B

Background

Unbundling exercise of the erstwhile Assam State Electricity Board (ASEB) was completed w.e.f. December 2004 to separate distribution, transmission and generation companies. Three electricity distribution companies were formed, namely Lower, Central and Upper Assam Distribution Company, to carry out the function of distribution and retail sale of electricity in the districts covered under each company area. Later, in the financial year ended 2010, the three distribution entities were merged into a single distribution company namely Assam Power Distribution Company Limited (APDCL). Assam Electricity Grid Corporation Limited (AEGCL) was formed to carry out function as State Transmission Utility, and Assam Power Generation Corporation Limited (APGCL) to carry out the function of generation of electricity in the state of Assam. The scale of operations of Assam Power Distribution Company Limited is the entire state of Assam. Currently, APDCL is catering to over 26 lakh consumers in the State of Assam.

Key Strengths

- Regulatory clarity in place, on the back of release of multi-year tariff (MYT) order for the control period FY 2014 to FY 2016, as well as tariff order for FY 2015
- Fuel and Power Purchase Price Adjustment (FPPPA) framework allows quarterly pass on of higher fuel and power purchase costs
- Favourable consumption mix, on account of a low share of agricultural connections compared to the industrial and commercial segments, which has higher unit realizations, leading to low cross-subsidization
- Moderate capital structure, supported by government grant received for capital projects

Key Concerns

- Weak financial profile as reflected through consistent operating level losses over the past few years
- Low cost coverage of ~0.81 time in FY 2014
- Distribution loss levels continue to remain higher than as allowed by Assam Electricity Regulatory Commission (AERC), leading to disallowance of power purchase costs, which adversely affects allowed returns; however, AT&C loss levels have seen an improvement in FY 2014 on account of improvement in collection efficiency
- Tight liquidity profile, leading to substantial build up of receivables and payables position

CHAMUNDESHWARI ELECTRICITY SUPPLY CORPORATION LIMITED

B

Background

Government of Karnataka initiated reform process in the state power sector during 1999-2000 with enactment of Karnataka Electricity Reforms Act (KERA) 1999. As part of these reforms, Karnataka Electricity Regulatory Commission (KERC) was set up in November 1999 and the erstwhile Karnataka Electricity Board (KEB) was unbundled on functional lines into a transmission & distribution company called Karnataka Power Transmission Corporation Limited (KPTCL) and a generating company called Visvesvaraya Vidyuth Nigam Limited (VVNL) in April 2000. Thereafter, KPTCL was further unbundled into 5 independent companies effective from June 1, 2002, with one transmission company named KPTCL and four distribution companies namely Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Gulbarga Electricity Supply Company Limited (GESCOM). Later in November 2005, erstwhile MESCOM was split-up into two companies namely MESCOM and Chamundeshwari Electricity Supply Corporation Limited (CESCOM).

Key Strengths

- Significant improvement achieved in lowering AT&C losses in FY 2014 led by improved collection efficiency and lower distribution losses
- Power utilities in Karnataka are already unbundled and corporatized; regulatory clarity in the State, with multi-year tariff regime in place and regular tariff filings and tariff orders issuance observed.
- About 96% of power purchased through long term power purchase agreements in FY 2014

Key Concerns

- Cost coverage has remained weak and has deteriorated in FY 2014 as compared to FY 2013
- Weak financial profile marked by net losses, weak capital structure and low interest coverage
- Significant dependence on subsidy support from government on account of high proportion of agriculture consumers
- High pending receivables
- High payable days as CESCOM has been delaying on payments to state generation utility Karnataka Power Corporation Limited (KPCL)

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

B

Background

The Northern Power Distribution Company of Telangana Limited (TSNPDCL), erstwhile APNPDCL (Andhra Pradesh Northern Power Distribution Company Limited) was incorporated under the Companies Act, 1956 as a Public Limited Company on March 30, 2000 to carry out electricity distribution business as part of the unbundling of erstwhile APSEB. The company caters the electricity supply to Warangal, Karminagar, Khammam, Nizamabad and Adilabad districts. Consequent on enactment of Andhra Pradesh (AP) Reorganisation Bill, 2014, the name of the Company has been changed to Northern Power Distribution Company of Telangana Limited with effect from June 02, 2014.The company reaches out to a consumer base of 155.22 lakh spread across hamlets, villages, towns and cities.

Key Strengths

- Relatively low AT&C loss of below 15%
- Healthy collection efficiency of 98.10% in FY 2014
- Timely receipt of tariff subsidy
- Implementation of Financial Restructuring Plan (FRP) during FY 2014
- Implementation of key reform measures for curtailing theft and improving consumer grievance mechanisms
- Completion of unbundling and corporatization of erstwhile State Electricity Board

Key Concerns

- Absence of tariff order for FY 2015
- Absence of true-up and pending approval of MYT Petition
- Net losses registered during FY 2013 and FY 2014
- Absence of automatic pass through of fuel cost
- Elongated collection period as well as payable days

UTTAR HARYANA BIJLI VITRAN NIGAM LIMITED

B

Background

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) is a power distribution company which is responsible for the distribution and retail supply of electricity in the North Zone of Haryana comprising of Ambala, Yamunanagar, Kurukshetra, Karnal, Sonepat, Rohtak, Panipat, Jhajjar and Kaithal circles. It was also supplying power to Jind circle previously which was transferred to Dakshin Haryana Bijli Vitran Nigam Limited during FY 2014. UHBVNL caters to around 26,00,000 customers including domestic, commercial, industrial, agricultural and other clients in FY 2014. As on March 31, 2014, the Government of Haryana (GoH) holds 66% of the shares of UHBVNL while the remaining shares are held by Haryana Vidyut Prasaran Nigam Limited (HVPNL).

Key Strengths

- Improvement on regulatory environment with receipt of MYT order for the control period from FY 2015 to FY 2017
- Filing of tariff petition in a time bound manner and receipt of tariff order as per regulations
- Timely receipt of subsidy from State Government.
- Overall consumer metering of 94% & implementation of reform measures for curtailing theft & consumer grievance mechanisms.
- Competitive power purchase mechanism in place with power procurement through long term PPAs covering over 90% of the total power purchase requirements

Key Concerns

- Low cost coverage. However the same improved from 0.76 in FY 2013 to 0.83 in FY 2014.
- Continued high AT&C losses at 35.65% in FY 2014 as compared with 35.39% during FY 2013
- Weak financial risk profile attributable to continuous losses, negative networth, high receivables and weak debt coverage indicators
- Low fixed asset creation with most of the debt utilized towards working capital financing

KERALA STATE ELECTRICITY BOARD LIMITED

B

Background

The Government of Kerala has incorporated a company, namely, KSEBL with three Strategic Business Units under the company to carry out the functions of transmission, generation and distribution of the power vide a notification in the Gazette (G.O. (P) No 46/2013 dated October 31, 2013). The Government of Kerala vide its notification in the Gazette (G.O. (P) No 3/2015/PD dated January 28, 2015) has notified the assets and liabilities of KSEBL as on November 1, 2013. KSEBL caters to consumer base of about 1.11 crore (as on March 31, 2014).

Key Strengths

- Satisfactory level of Aggregate Technical & Commercial (AT&C) losses of 15.03% in FY 2014
- Relatively better financial risk profile attributable to accessibility to low cost hydel power which forms the major portion of power generated, though quantum of generation is susceptible to rainfall
- Implementation of 100% metering and effective collective mechanism in place

Key Concerns

- Non availability of full year accounts
- Increasing dependence on external power purchases with low capacity addition in past
- Cross subsidy of more than 20% and higher share of subsidized segment
- Significant build up of regulatory asset in the past four years
- Though the entity has been corporatized, effective unbundling is yet to be completed

KSEBL's grade has deteriorated during third rating exercise as compared with second rating exercise largely on account of non-availability of audited accounts for FY 2014. As a result, the utility has been scored out of 87 marks instead of 100 marks.

SOUTH BIHAR POWER DISTRIBUTION COMPANY LIMITED

B

Background

Under the new 'Bihar State Electricity Reforms Transfer Scheme 2012', the Bihar State Electricity Board (BSEB) has been unbundled into five companies w.e.f. November 1, 2012: Bihar State Power (Holding) Company Limited (BSPHCL), Bihar State Power Transmission Company Limited (BSPTCL), Bihar State Power Generation Company Limited (BSPGCL) and two distribution companies viz. South Bihar Power Distribution Company Limited (SBPDCL) and North Bihar Power Distribution Company Limited (NBPDCL). BSPHCL owns the shares of the newly-incorporated four other companies.

Key Strengths

- Satisfactory progress in terms of reforms and restructuring of the sector, which includes unbundling on functional lines and corporatization
- Timely receipt of subsidy from the State Government
- Effective functioning of the Bihar Electricity Regulatory Commission
- Regulatory clarity in place, with tariff order for the current year- FY 2015 in place and timely filing of tariff petition/orders
- Timely availability of audited financial accounts for FY 2014
- Implementation/steady progress in key reform measures such as special courts for anti-theft measures, unbundling of utilities, setting up of consumer grievance forums, etc.
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is operational, allowing the increase in such 'uncontrollable' cost items to be recovered from consumers on monthly basis

Key Concerns

- Significant amount of prior period expenses of ₹ 244.66 crore in FY 2014 despite the Transfer Scheme effected during 2012
- Significant amount of Write off in the debtors (₹ 1337.69 crore) effected in the financials of FY 2013 (₹ 1970.62 crore to ₹ 632.93 crore), without a corresponding provision in the P&L statement
- High level of AT&C losses at 49.8%, which have shown deterioration over the last year
- High amount of receivables, although the same has shown a declining trend over the years
- High and growing dependence on subsidy support
- Delays in debt servicing since FY 2011, as reflected in significant amount of interest accrued and due

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

B

Background

Government of Karnataka initiated reform process in the state power sector during 1999-2000 with enactment of Karnataka Electricity Reforms Act (KERA) 1999. As part of these reforms, Karnataka Electricity Regulatory Commission (KERC) was set up in November 1999 and the erstwhile Karnataka Electricity Board (KEB) was unbundled on functional lines into a transmission & distribution company called Karnataka Power Transmission Corporation Limited (KPTCL) and a generating company called Visvesvaraya Vidyuth Nigam Limited (VVNL) in April 2000. Thereafter, KPTCL was further unbundled into 5 independent companies effective from June 1, 2002, with one transmission company named KPTCL and four distribution companies namely Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Gulbarga Electricity Supply Company Limited (GESCOM). Later in November 2005, erstwhile MESCOM was split-up into two companies namely MESCOM and Chamundeshwari Electricity Supply Corporation Limited (CESCOM).

Key Strengths

- Power utilities in Karnataka are already unbundled and corporatized; regulatory clarity in the State, with multi-year tariff regime in place and regular tariff filings and tariff orders issuance observed.
- More than 90% of power purchased through long term power purchase
- Comfortable capital structure due to regular infusion of equity by Government, although at cost of non-payment to state generator

Key Concerns

- Cost coverage has remained weak deteriorating in FY 2014 as compared to FY 2013; Weak financial profile marked by net losses and modest debt coverage indicators
- Deterioration in AT&C losses in FY 2014 on account of lower collection efficiency as compared to previous year
- Very high dependence on tariff subsidy support from government on account of high proportion of agriculture consumers
- High level of pending receivables
- High payable days as GESCOM has been delaying on payments to state generation utility Karnataka Power Corporation Limited (KPCL)

The revision in the rating for GESCOM can be attributed to the deterioration in AT&C losses in FY 2014 on account of lower collection efficiency in FY 2014 as compared to the previous year and also to moderation in cost coverage ratio in FY 2014 as compared to FY 2013.

DAKSHIN HARYANA BIJLI VITRAN NIGAM LIMITED

B

Background

Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) is a power distribution company which is responsible for the distribution and retail supply of electricity in the south zone of Haryana comprising of Bhiwani, Faridabad, Gurgaon, Hissar, Narnaul and Sirsa circles. From FY 2014, it also supplies power to Jind circle wherein power was previously supplied by Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL). DHBVNL caters to around 28,33,000 customers including domestic, commercial, industrial, agricultural and other clients in FY 2014. As on March 31, 2014, the Government of Haryana (GoH) holds 69.61% of shares of DHBVNL while the balance 30.38% stake is held by Haryana Vidyut Prasaran Nigam Limited (HVPNL).

Key Strengths

- Issue of Multi-Year Tariff (MYT) order for the first control period from FY 2015 of FY 2017
- Filing of tariff petition in a time bound manner and receipt of tariff order as per regulations
- Satisfactory overall consumer metering with 97% of consumers being metered with implementation of key reform measures for curtailing theft and improving consumer grievance mechanisms
- Sustained support from the State Government through timely receipt of subsidy

Key Concerns

- Low cost coverage ratio of 0.81 in FY 2014 and FY 2013 each
- Continued high AT&C losses at 27.07% in FY 2014 as compared with 26.66% during FY 2013
- Weak financial risk profile with continuous losses, negative net-worth, high receivables and payables and weak debt coverage indicators
- Low fixed asset creation with most of the debt utilized towards working capital financing

MADHYA PRADESH POORV KSHETRA VIDYUT VITARAN COMPANY LIMITED B

Background

Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL) is an unbundled state power distribution company of erstwhile Madhya Pradesh State Electricity Board (MPSEB). As per the Madhya Pradesh Vidyut Sudhar Adhiniyam 2000 of the Government of Madhya Pradesh (GoMP), the erstwhile MPSEB was unbundled into a generation company, a transmission company and three distribution companies (Discoms) with effect from November 1, 2002. MP Power Generating Company Limited (MPPGCL) was incorporated as the sole generation company, MP Power Transmission Company Limited (MPPTCL) was incorporated as the sole transmission company and three Discoms were incorporated in the form of MP Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL), MP Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL) and MP Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVVCL).

Key Strengths

- Continuous improvement in AT&C losses
- Timely receipt of subsidy from the State Government and approval of FRP
- Limited reliance on external debt as large part of debt is extended in the form of perpetual and other loans from GoMP
- Regular tariff revisions in past few years, albeit with only marginal revision in FY 2014

Key Concerns

- Low cost coverage of 0.80 each in FY 2013 and FY 2014
- Low level of metering of 71% in FY 2014
- Delay in filing of tariff petition for FY 2015 and issue of true-up order for FY 2013
- Accumulated losses from the past have led to a negative net-worth
- High receivables days, albeit an improvement in FY 2014

TAMIL NADU GENERATION & DISTRIBUTION CORPORATION LIMITED

B

Background

Vide order G.O.(Ms).No.100 dated October 19, 2010 of the Tamil Nadu Electricity (Reorganization and Reforms) Transfer Scheme 2010 issued by the Government of Tamil Nadu, the erstwhile Tamil Nadu Electricity Board was reorganized into TNEB Limited, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO). As a distribution licensee, TANGEDCO carries out the retail supply of power to the end users as well as maintains the wire business for supply of such power.

Key Strengths

- Tariff hike, announced by TNERC in December 2014, likely to result in improved cost coverage going forward
- Implementation of Financial Restructuring Plan (FRP) by the Discom; part of the loans being taken over by GoTN and the remaining bank liabilities have been restructured by the bankers
- Slew of own power generation projects, expected to become functional in near future, could reduce the high dependence on expensive power purchase from independent power producers (IPPs) and traders
- Continuing support from GoTN in the form of equity infusion and advance release of subsidy
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is operational, allowing the increase in such 'uncontrollable' cost items to be recovered from consumers on quarterly basis
- 100% RPO compliance, as also healthy track record of IT compliance and customer service

Key Concerns

- The Discom reported net losses of ₹ 13,946 crore in FY 2014
- High financial risk profile arising from cash losses, poor capital structure and debt protection measures and cash flows are expected to remain stressed in the medium-term
- High average cost of supply due to the large quantum of power purchased from traders and from uncompetitive IPPs; commissioning of the new own generating plants would aid in reducing the supply costs
- Dependence on tariff subsidy from GoTN has increased substantially; hence, the discom is increasingly exposed to the credit risk of GoTN for its functioning
- Lack of further power sector reforms as reflected in unsatisfactory progress on consumer metering besides continuance of free/subsidized power schemes

JODHPUR VIDYUT VITRAN NIGAM LIMITED

B

Background

Jodhpur Vidyut Vitran Nigam Limited (JoVVNL) is an unbundled state power distribution company of erstwhile Rajasthan State Electricity Board (RSEB). As per the Rajasthan Power Sector Reforms Act, 1999 of Government of Rajasthan (GoR), the erstwhile Rajasthan State Electricity Board (RSEB) was unbundled into a Generation Company, a Transmission Company and three Distribution Companies (Discoms) with effect from July 19, 2000. JoVVNL covers 10 districts viz. Jodhpur, Jaisalmer, Bikaner, Sirohi, Jalore, Barmer, Pali, Churu, Hanumangarh and Shriganganagar.

Key Strengths

- Timely receipt of tariff subsidies
- Unbundling of SEB alongwith three recent tariff revisions to improve the financial health of Discom
- Implementation/steady progress in key reform measures such as setting up of special courts for anti-theft measures, metering of consumers, setting up of customer service and dedicated IT cell head, etc.

Key Concerns

- Weak financial position on the back of no tariff revision during the period 2005 to 2011 leading to funding of revenue gap by way of short-term loans ultimately resulting in to sharp increase in debt level
- Cost coverage is below unity even after three tariff hikes
- High AT & C losses and delay in issue of tariff order

MADHYA PRADESH MADHYA KSHETRA VIDYUT VITARAN COMPANY LIMITED

B

Background

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL) is an unbundled state power distribution company of erstwhile Madhya Pradesh State Electricity Board (MPSEB). As per the Madhya Pradesh Vidyut Sudhar Adhiniyam 2000 of the Government of Madhya Pradesh (GoMP), the erstwhile Madhya Pradesh State Electricity Board (MPSEB) was unbundled into a generation company, a transmission company and three distribution companies (Discoms) with effect from November 1, 2002. MP Power Generating Company Limited (MPPGCL) was incorporated as the sole generation company, MP Power Transmission Company Limited (MPPTCL) was incorporated as the sole transmission company and three Discoms were incorporated in the form of MP Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL), MP Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL) and MP Paschim Kshetra Vidyut Vitaran Company Limited (MPPKVVCL).

Key Strengths

- Timely receipt of subsidy from the State Government and approval of FRP
- Fuel cost adjustment framework is operational
- No untreated revenue gap as per the tariff order
- Limited reliance on external debt as large part of debt is extended in the form of perpetual and other loans from GoMP

Key Concerns

- Low cost coverage of 0.82 in FY 2014
- High AT&C losses of 25.79% in FY 2014
- Accumulated losses from the past have led to a negative net-worth
- Elongated collection period of 237 days in FY 2014 and Low level of metering of 80% in FY 2014

MPMKVVCL's grade has deteriorated during third rating exercise as compared with second rating exercise largely on account of deterioration in cost coverage from 0.91 in FY 2013 to 0.82 in FY 2014 due to lower increase in revenue, increase in expenditure and marginal decline in collection efficiency. Lower extent of coverage of annual loss by subsidy and increase in payables also impacted the utility's grade.

PASCHIMANCHAL VIDYUT VITRAN NIGAM LIMITED

B

Background

In pursuance of a reform exercise erstwhile UPSEB was unbundled under the first reforms transfer scheme dated 14th Jan 2000, into three separate entities: Uttar Pradesh Power Corporation Limited (UPPCL) – vested with the function of Transmission and Distribution within the State; Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) – vested with the function of Thermal Generation within the State; and Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) – vested with the function of Hydro Generation within the State. Through another Transfer Scheme dated 15th January, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company (KESCO), a company registered under the Companies Act, 1956. Need for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines was again felt after the enactment of the Electricity Act 2003, and four new distribution companies ("Discoms") were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme 2003 namely DVVNL, MVVNL, PVVNL and PuVVNL.

Key Strengths

- Though high, significant improvement shown in cost coverage and AT&C losses
- Timely servicing of debt obligations
- Completion of unbundling and corporatization of erstwhile Uttar Pradesh State Electricity Board w.e.f. January 2000

Key Concerns

- Weak financial profile as reflected in sustained net losses
- Lack of adequate and timely subsidy support
- Significantly stretched receivable days
- Negative net worth resulting in adverse capital structure
- Delay in submission of Audited accounts, audited accounts for FY 2014 not made available till December 2014
- No true-up done for FY 2013 on account of delay in submission of audited accounts

TRIPURA STATE ELECTRICITY CORPORATION LIMITED

C+

Background

Tripura State Electricity Corporation Limited (TSECL) is sole electricity utility in Tripura responsible for generation, transmission and distribution of electricity in the state. The power supply industry in Tripura was under the control of the Department of Power, Government of Tripura till 31st December 2004. TSECL was incorporated in June 2004 and started functioning w.e.f 1st January 2005. It took over the entire existing network along with assets of erstwhile Department of Power for operating and maintaining the power supply industry in the State of Tripura. Currently, TSECL has an effective installed power generation capacity of 85 MW and long-term PPA arrangement of 105 MW.

Key Strengths

- High income from power trading
- Power purchased from outside is sourced under long-term arrangement
- Comfortable debt-equity ratio
- Timely receipt of subsidy from the State Government
- Favorable regulatory environment such as tariff order issued for FY 2015
- Implementation/steady progress in key reform measures such as setting up of special courts for anti-theft measures, metering of consumers along with computerized billing, setting up of customer service and dedicated IT cell head, etc.

Key Concerns

- Non-availability of audited accounts for FY 2013 and FY 2014
- Falling share of own power generation to total power supply
- Low cost coverage ratio
- High receivables and payables days
- Unbundling process not yet completed
- Fuel & Power Purchase Cost Adjustment (FPPCA) framework is in place. However, the same is not yet implemented on a monthly or quarterly basis

The utility's grade has deteriorated during third rating exercise as against the second rating exercise largely on account of reduction in scores on subsidy parameter and non-availability of audited accounts for FY 2013 and FY 2014.

AJMER VIDYUT VITRAN NIGAM LIMITED

C+

Background

Ajmer Vidyut Vitran Nigam Limited (AVVNL) is an unbundled state power distribution company of erstwhile Rajasthan State Electricity Board (RSEB). As per the Rajasthan Power Sector Reforms Act, 1999 of Government of Rajasthan (GoR), the erstwhile Rajasthan State Electricity Board (RSEB) was unbundled into a Generation Company, a Transmission Company and three Distribution Companies (Discoms) w.e.f. July 19, 2000. AVVNL covers 11 districts of Rajasthan namely Ajmer, Bhilwara, Nagaur, Sikar, Jhunjhunu, Udaipur, Banswara, Chittorgarh, Rajsamand, Doongarpur and Pratapgar.

Key Strengths

- Unbundling of SEB alongwith three recent tariff revisions to improve financial health of discom
- Majority of the debt is guaranteed by Government of Rajasthan (GoR)
- Timely receipt of tariff subsidies
- Implementation/steady progress in key reform measures such as setting up of special courts for anti-theft measures, metering of consumers, setting up of customer service and dedicated IT cell head, etc.

Key Concerns

- Weak financial position on the back of no tariff revision during the period 2005 to 2011 leading to funding of revenue gap by way of short-term loans
- Cost coverage is below unity even after three tariff hikes
- High AT & C losses
- Funding of the entire asset base has been done through debt thus leading to an unfavorable capital structure. Accumulated losses in past have led to negative net worth

AVVNL's grade has deteriorated during third rating exercise as compared with second rating exercise on account of deterioration in AT&C losses from 19.81% in FY 2013 to 21.96% in FY 2014 largely due to decline in collection efficiency, lower score on subsidy parameter and late receipt of audited accounts. Non receipt of tariff order for FY 2015 and true-up order for FY 2013 also impacted the utility's score and grade.

HUBLI ELECTRICITY SUPPLY COMPANY LIMITED

C+

Background

Government of Karnataka initiated reform process in the state power sector during 1999-2000 with enactment of Karnataka Electricity Reforms Act (KERA) 1999. As part of these reforms, Karnataka Electricity Regulatory Commission (KERC) was set up in November 1999 and the erstwhile Karnataka Electricity Board (KEB) was unbundled on functional lines into a transmission & distribution company called Karnataka Power Transmission Corporation Limited (KPTCL) and a generating company called Visvesvaraya Vidyuth Nigam Limited (VVNL) in April 2000. Thereafter, KPTCL was further unbundled into 5 independent companies effective from June 1, 2002, with one transmission company named KPTCL and four distribution companies namely Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Gulbarga Electricity Supply Company Limited (GESCOM). Later in November 2005, erstwhile MESCOM was split-up into two companies namely MESCOM and Chamundeshwari Electricity Supply Corporation Limited (CESCOM).

Key Strengths

- Improvement achieved in lowering AT&C losses in FY 2014 as compared to previous year led by improved collection efficiency and lower distribution losses
- More than 90% of power purchased through long term power purchase
- Power utilities in Karnataka are already unbundled and corporatized; regulatory clarity in the State, with multi-year tariff regime in place and regular tariff filings and tariff orders issuance observed

Key Concerns

- Weak financial profile marked by net losses, low interest coverage ratio and adverse capital structure
- Cost coverage has remained weak in FY 2014, deteriorating from the level achieved in FY 2013
- Very high dependence on subsidy support from government on account of high proportion of agriculture consumers
- Delays in meeting debt repayment obligations to lenders
- High level of pending receivables
- High payable days as HESCOM has been delaying on payments to state generation utility Karnataka Power Corporation Limited (KPCL)

The revision in the rating for HESCOM can be attributed to lowering of cost coverage ratio, increase in subsidy dependence and deterioration in capital structure and debt coverage indicators for the discom during FY 2014 as compared to the previous year.

MADHYANCHAL VIDYUT VITRAN NIGAM LIMITED

C+

Background

In pursuance of a reform exercise erstwhile UPSEB was unbundled under the first reforms transfer scheme dated 14th Jan 2000, into three separate entities: Uttar Pradesh Power Corporation Limited (UPPCL) – vested with the function of Transmission and Distribution within the State; Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) – vested with the function of Thermal Generation within the State; and Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) – vested with the function of Hydro Generation within the State. Through another Transfer Scheme dated 15th January, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company (KESCO), a company registered under the Companies Act, 1956. Need for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines was again felt after the enactment of the Electricity Act 2003, and four new distribution companies ("Discoms") were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme 2003 namely DVVNL, MVVNL, PVVNL and PuVVNL.

Key Strengths

- Improvement shown in cost coverage and AT&C losses
- Completion of unbundling and corporatization of erstwhile Uttar Pradesh State Electricity Board w.e.f. January 2000

Key Concerns

- Weak financial profile as reflected in sustained net losses and weak cost coverage
- Significantly stretched receivable and payable days, although the same have improved in FY 2014
- Lack of adequate and timely subsidy support
- Negative net worth resulting in adverse capital structure
- Audited accounts for FY 2014 not made available
- Tariff Petition for FY 2016 filed with a delay
- Low regulatory clarity in place, no true-up done for FY 2013 on account of delay in submission of audited accounts

The rating for the current and previous year for MVVNL is not comparable as the discom had received a very low rating in the previous rating exercise on account of information not being made available for the same. Nevertheless, y-o-y, the discom has been able to improve upon its realization of receivables which has resulted in a significant improvement in revenue realized which in turn has resulted in an improved cost coverage, improved AT&C loss level and also a higher score on sustainability parameter where the CAGR of revenue realized over the last three years has outstripped the corresponding growth in expenditure substantially.

JAIPUR VIDYUT VITRAN NIGAM LIMITED

C+

Background

Jaipur Vidyut Vitran Nigam Limited (JVVNL) is an unbundled state power distribution company of erstwhile Rajasthan State Electricity Board (RSEB). As per the Rajasthan Power Sector Reforms Act, 1999 of Government of Rajasthan (GoR), the erstwhile Rajasthan State Electricity Board (RSEB) was unbundled into a Generation Company, a Transmission Company and three Distribution Companies (Discoms) with effect from July 19, 2000. JVVNL covers the 12 districts of Rajasthan namely Jaipur, Dausa, Alwar, Bharatpur, Dholpur, Kota, Bundi, Baran, Jhalawar, Sawaimadhopur, Tonk and Karoli.

Key Strengths

- Unbundling of SEB alongwith three recent tariff revisions to improve financial health of discom
- Implementation/steady progress in key reform measures such as setting up of special courts for anti-theft measures, metering of consumers, setting up of customer service and dedicated IT cell head, etc.
- Timely receipt of tariff subsidies

Key Concerns

- Weak financial position on the back of no tariff revision during the period 2005 to 2011 leading to funding of revenue gap by way of short-term loans ultimately resulting in to sharp increase in debt level
- High AT & C losses
- Delay in issue of tariff order
- Cost coverage is below unity even after three tariff hikes
- Funding of the entire asset base has been done through debt thus leading to an unfavorable capital structure. Further, accumulated losses from the past have led to a negative net worth

JVVNL's grade has deteriorated during third rating exercise as compared with second rating exercise on account of deterioration in AT&C losses in FY 2014 largely due to decline in collection efficiency, lower score on subsidy parameter and late receipt of audited accounts. Non receipt of tariff order for FY 2015 and true-up order for FY 2013 also impacted the utility's score and grade.

PURVANCHAL VIDYUT VITRAN NIGAM LIMITED

C+

Background

In pursuance of a reform exercise erstwhile UPSEB was unbundled under the first reforms transfer scheme dated 14th Jan 2000, into three separate entities: Uttar Pradesh Power Corporation Limited (UPPCL) – vested with the function of Transmission and Distribution within the State; Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) – vested with the function of Thermal Generation within the State; and Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) – vested with the function of Hydro Generation within the State. Through another Transfer Scheme dated 15th January, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company (KESCO), a company registered under the Companies Act, 1956. Need for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines was again felt after the enactment of the Electricity Act 2003, and four new distribution companies ("Discoms") were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme 2003 namely DVVNL, MVVNL, PVVNL and PuVVNL.

Key Strengths

- Significant improvement shown in cost coverage and AT&C losses
- Timely servicing of debt obligations
- Completion of unbundling and corporatization of erstwhile Uttar Pradesh State Electricity Board w.e.f. January 2000

Key Concerns

- Weak financial profile as reflected in sustained net losses, and weak cost coverage (~0.74 in FY 2014)
- Lack of adequate and timely subsidy support
- Significantly stretched receivable and payable days
- Negative net worth resulting in adverse capital structure
- Delay in submission of Audited accounts, audited accounts for FY 2014 not made available till December 2014
- No true-up done for FY 2013 on account of delay in submission of audited accounts

The positive rating change for PuVVNL has been on account of improvement in its realization of receivables which has resulted in a significant improvement in revenue realized which in turn has resulted in an improved cost coverage, improved AT&C loss level and also a higher score on sustainability parameter where the CAGR of revenue realized over the last three years has outstripped the corresponding growth in expenditure substantially. The rating has improved also on account of improvement in pass through of fuel cost and a favourable power procurement mix with more than 90% of power being procured through long term PPAs.

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED

C+

Background

In pursuance of a reform exercise erstwhile UPSEB was unbundled under the first reforms transfer scheme dated 14th Jan 2000, into three separate entities: Uttar Pradesh Power Corporation Limited (UPPCL) – vested with the function of Transmission and Distribution within the State; Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) – vested with the function of Thermal Generation within the State; and Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) – vested with the function of Hydro Generation within the State. Through another Transfer Scheme dated 15th January, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company (KESCO), a company registered under the Companies Act, 1956. Need for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines was again felt after the enactment of the Electricity Act 2003, and four new distribution companies ("Discoms") were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme 2003 namely DVVNL, MVVNL, PVVNL and PuVVNL.

Key Strengths

- Favorable consumer mix with no rural consumers
- Overall consumer metering of 100% achieved in the last three years
- Completion of unbundling and corporatization of erstwhile Uttar Pradesh State Electricity Board w.e.f. January 2000
- Timely servicing of debt obligations

Key Concerns

- Weak financial profile as reflected in sustained net losses and weak cost coverage
- Significantly stretched receivable days
- Minimal capital expenditure incurred in the last three years
- Negative net worth resulting in adverse capital structure
- High AT&C Loss levels on account of high distribution losses
- No MYT order in place
- Low regulatory clarity in place, no true-up order for FY 2013

The positive rating change for KESCO has been on account of improvement in its collection efficiency which has resulted in an improvement in AT&C loss level and also a higher score on sustainability parameter where the CAGR of revenue realized over the last three years has outstripped the corresponding growth in expenditure. The rating has improved also on account of timely availability of audited accounts, improvement in pass through of fuel cost and a favorable power procurement mix with more than 90% of power being procured through long term PPAs.

MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED

C+

Background

Meghalaya Power Distribution Corporation Limited (MePDCL) has begun segregated commercial operations of power distribution as an independent entity from 1st April 2012 onwards. Previously, Meghalaya Energy Corporation Limited (MeECL) was the sole electricity utility in Meghalaya responsible for generation, transmission and distribution of electricity in the state. While, Meghalaya State Electricity Board (MSEB) was unbundled w.e.f. April 1, 2010 under "The Meghalaya Power Sector Reforms Transfer Scheme 2010", the annual accounts of MeECL (Holding Company) for FY 2012 are for all the three functions namely generation-transmission-distribution.

Key Strengths

- Filing of tariff petition in a time-bound manner and receipt of tariff order as per regulations
- Satisfactory consumer metering of more than 80%
- Steady progress in key reform initiatives for anti-theft measures, setting up of call center and consumer grievance addressal forum etc.
- Competitive power purchase mechanism in place with power procurement through long term PPAs covering over 90% of the total power purchase requirements

Key Concerns

- Non-availability of audited annual accounts for FY 2014
- Low cost coverage of 0.88 in FY 2014 and 0.75 in FY 2013
- High AT&C losses of 45.35 % in FY 2014 and 46.96% in FY 2013
- High extent of cross subsidy
- Non-receipt of true-up order resulting in untreated revenue gap in the past

DAKSHINANCHAL VIDYUT VITRAN NIGAM LIMITED

C

Background

In pursuance of a reform exercise, erstwhile UPSEB was unbundled under the first reforms transfer scheme dated 14th Jan 2000, into three separate entities: Uttar Pradesh Power Corporation Limited (UPPCL) – vested with the function of Transmission and Distribution within the State; Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) – vested with the function of Thermal Generation within the State; and Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) – vested with the function of Hydro Generation within the State. Through another Transfer Scheme dated 15th January, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company (KESCO), a company registered under the Companies Act, 1956. Need for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines was again felt after the enactment of the Electricity Act 2003, and four new distribution companies ("Discoms") were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme 2003 namely DVVNL, MVVNL, PVVNL and PuVVNL.

Key Strengths

- Completion of unbundling and corporatization of erstwhile Uttar Pradesh State Electricity Board w.e.f. January 2000
- Anti theft measures, customer service facilities and special courts are operational in all districts
- Timely servicing of debt obligations to Banks/ FI in FY 2014

Key Concerns

- Weak financial profile as reflected in sustained net losses and weak cost coverage (~0.55 in FY 2014)
- High levels of AT&C losses (32.4% in FY 2014). However the same have shown significant improvement over the last year
- Lack of adequate and timely subsidy support
- Significantly stretched receivable and payable days
- Negative net worth resulting in adverse capital structure
- Delay in submission of Audited accounts, audited accounts for FY 2014 not made available till December 2014
- No true-up done for FY 2013 on account of delay in submission of audited accounts

The revision in the rating for DVVNL is on account of changes in the scoring methodology for subsidy dependence and delays in filing of the Tariff petition for FY 2016 by the utility.

JHARKHAND STATE ELECTRICITY BOARD

C

Background

Jharkhand State Electricity Board (JSEB) was constituted on 10th March 2001 under Section 5 of the Electricity (Supply) Act, 1948 as a result of the bifurcation of the erstwhile State of Bihar. JSEB has been engaged in electricity generation, transmission, distribution and related activities in the state of Jharkhand since then. The unbundling of JSEB has been approved by the Hon'ble Supreme Court on January 6, 2014. JSEB has been unbundled into 4 entities (Holding, Generation, Transmission and Distribution Company) and all the entities are operating independently. The four companies are Jharkhand Urja Vikas Nigam Limited (JUVNL), Jharkhand Urja Utpadan Nigam Limited (JUUNL), Jharkhand Urja Sancharan Nigam Limited (JUSNL) and Jharkhand Bijli Vitran Nigam Limited (JBVNL).

Key Strengths

- JSEB unbundled on functional lines
- Steady progress in key reform measures, such as presence of a dedicated IT cell, special courts for anti-theft measures and setting up of consumer service centers

Key Concerns

- Absence of annual accounts for FY 2014
- High AT&C losses (deteriorated from 40.85% in FY 2013 to 41.96% in 9M FY 2014
- Low cost coverage of 0.71 during 9M FY 2014 and 0.81 in FY 2013
- JSERC has not yet approved the MYT petition (FY 2014 to FY 2016) filed by JSEB in December 2012.
- Non-receipt of true-up order resulting in untreated revenue gap in the past

JSEB's grade has deteriorated during third rating exercise as compared with second rating exercise largely on account of non-availability of rating inputs and annual accounts for FY 2014. Accordingly, the utility was scored out of 90 marks instead of 100 marks.

Section IV
Key Findings

KEY FINDINGS

- Cost coverage ratio for most entities (33 out of 40 rated) remained low (<0.90) due to substantial increase in expenses and non-cost reflective tariffs.

- The median Cost Coverage has remained stable at 0.80 during the third rating exercise as compared to 0.81 in the second rating exercise. Overall, 15 power distribution entities (out of a total of 40) have shown improvement in their cost coverage ratios.

- Gujarat was the best performer on cost coverages. Five power distribution entities have shown more than 15% improvement in this parameter and these include Kerala State Electricity Board Limited, Tripura State Electricity Corporation Limited, Madhyanchal Vidyut Vitran Nigam Limited, Purvanchal Vidyut Vitran Nigam Limited and Kanpur Electricity Supply Company Limited; while South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited have shown more than 10% deterioration in their cost coverage ratio.

- 21 of the rated power distribution entities have shown an improvement in their Aggregate Technical & Commercial (AT&C) loss levels during FY 2014 (over the previous year).

- The median loss level has declined to 25.08% in the current rating exercise from 26.19% in the second rating exercise, after coming down from 26.55% in the first rating exercise.

- Eight utilities have been able to achieve more than 20% reduction in this parameter and these include Dakshin Gujarat Vij Company Limited , Uttar Gujarat Vij Company Limited, Paschim Gujarat Vij Company Limited , Madhyanchal Vidyut Vitran Nigam Limited, Dakshinanchal Vidyut Vitran Nigam Limited , Paschimanchal Vidyut Vitran Nigam Limited, Purvanchal Vidyut Vitran Nigam Limited and Chamundeshwari Electricity Supply Corporation Limited.

- Ten utilities including Uttarakhand Power Corporation Limited, Chhattisgarh State Power Distribution Company Limited, Eastern Power Distribution Company of AP Limited, Himachal Pradesh State Electricity Board Limited, Southern Power Distribution Company of Telengana Limited, Northern Power Distribution Company of Telangana Limited, Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited, Tripura State Electricity Corporation Limited & Ajmer Vidyut Vitran Nigam Limited have shown deterioration of more than 10%. Few utilities have also seen deterioration in AT&C losses because of increased rural supplies.

- In terms of regulatory environment, Tariff Orders for FY 2015 for 6 utilities have not been issued (including states of Maharashtra, Andhra Pradesh, Jharkhand & Telangana); while for the states of Tamil Nadu, West Bengal & Rajasthan tariff order has been issued with significant delays. For the second rating exercise Tariff order for FY 2014 were issued for all states except Maharashtra. During the first rating exercise, Tariff Orders for all the states for the year FY 2013 had been issued.

- There has been a decline in terms of the number of utilities which have timely filed tariff petition for FY 2016, with 15 utilities (out of 40) filing the tariff petition in a timely manner during the current rating exercise. The corresponding numbers for the second and first rating exercises were 21 and 7, respectively.

- In terms of availability of audited accounts for FY 2014, 28 out of a total of 40 utilities have submitted audited annual accounts for FY 2014 during the current rating exercise as against 29 utilities (submission of accounts for FY 2013) during the second annual rating exercise conducted last year.

- Regulatory clarity gradually appearing in the state power sector with SERCs in place across all 19 states covered by ICRA and CARE.

- Finally, most of the utilities have shown greater cooperation in terms of submission of information and facilitating meetings and discussions.

Appendix

Integrated Rating System for State Power Distribution Utilities

Appendix - Integrated Rating System for State Power Distribution Utilities

1. Background

Distribution function is a crucial link in the electricity chain as it provides the last mile connectivity in the Electricity Sector. With over 90% of the country's distribution business coming under the ailing state distribution sector, achieving improvements in the financial and operational performance of the State Power Distribution Utilities is of paramount importance for the robust overall development of the Indian power sector. The state power distribution sector today presents a grim scenario with mounting financial losses and is plagued by operational and cost inefficiencies besides regulatory infirmities.

With increasing losses, and inadequate support from the State Govt., most of the State Distribution Utilities have been forced to increase their level of borrowings, mostly bank borrowings, beyond their sustainable limits. Banks in the past have generally relied on sovereign guarantees for taking loan exposures to the State Power Distribution utilities and have continued to increase their lending exposure sizably. As on date a major portion of the losses of state distribution utilities are funded by bank borrowings, mostly short term borrowings. With signs of severe financial strain emerging in the distribution sector in certain states, lending institutions, especially banks had become cautious as a result of which the fund flow to the entire state power sector had been affected adversely .

2. Introduction

Ministry of Power initiated action for development of an Integrated Rating Methodology covering the State Power Distribution Utilities keeping in view the poor financial health of the State Distribution Utilities due to multifarious factors and the need to base future funding exposures on an objective rating mechanism.

The main objective of developing the integrated rating system for the state distribution utilities is to devise a mechanism for incentivising / dis-incentivising the distribution entities in order to improve their operational and financial performance. This rating system is an attempt to facilitate a uniform and harmonized approach to the rating of State Power Distribution Utilities by Banks/FIs.

The rating methodology focuses on stimulating and improving operational and financial performance of distribution entities. The objective of the exercise is to rate all utilities in power distribution sector on the basis of their performance and their ability to sustain the performance level. The methodology adopted attempts to objectively adjudge the performance and award marks to various performance parameters of these utilities. In certain parameters marks have been assigned for both current levels of performance and relative improvement from year to year.

The financial performance parameters like subsidy received, cost coverage ratio, AT&C losses, financial planning, etc. carry maximum weightage of about 60% in determining the rating as these parameters directly determine the viability of the utility. The second most important factor is sustaining the financial health and could be achieved through an efficient regulatory practice and 15% weightage has been assigned to the same. The parameters under regulatory practices include issue of regulatory guidelines, issue of tariff guidelines, timely filing of tariff petition and timely issue of tariff order. Other parameters relating to timely submission of audited accounts, metering, IT & computerization, no default to Banks / FIs, Renewable energy Purchase Obligation compliance, etc. account for around 25%.

It is essential that state governments and power distribution utilities adhere to certain minimum requirements which are mandatory as per law or otherwise. The methodology adopted therefore proposes to introduce negative marks for non compliance. In the absence of negative marks such parameters would have led to assigning of some weightage to minimum eligibility criteria at the expense of parameters which can distinguish merits of rated utilities. The parameters assigned negative marks include non-auditing of accounts (upto minus 12%), SEB unbundling (upto minus 5%), non-filing of tariff petition (upto minus 5%), untreated revenue gap (upto minus 5%), deterioration in AT&C Loss (upto minus 5%), increase in payables (upto minus 3%), presence of Regulatory Asset (upto minus 3%), negative net-worth (minus 3%) and extent of cross subsidy (upto minus 2%). The negative marks for such parameters give necessary depth and flexibility to rating methodology.

The integrated rating methodology would facilitate realistic assessment by Banks/FIs of the risks associated with lending exposures to various state distribution utilities and enable funding with appropriate loan covenants for bringing overall improvement in operational, financial and managerial performance. The rating methodology could also be the basis for Govt. assistance to the state power sector through various schemes like R-APDRP, NEF, etc.

The rating of all state power distribution utilities will be carried out by the credit rating agencies appointed by Ministry of Power. However state power departments would not be covered under the proposed rating mechanism. The ratings will be published on the website of the Ministry.

3. Integrated rating system

(i) Summary of Rating Parameters

S.No.	Parameters	Weightage
1.	**Financial Performance**	
i	Coverage Ratio	15
ii	AT&C Losses	12,-5
iii	Subsidy Support	10,-10
iv	Interest Coverage Ratio	5
v	Debt Equity Ratio	5,-3
vi	Sustainability	9
vii	Receivables	4
viii	Payables	3,-3
2.	**Audited Accounts**	5,-12
3.	**Cross Subsidy**	0,-2
4.	**Reform measures - Unbundling & Corporatisation**	0,-5
5.	**Regulatory Environment**	15,-15
6.	**Forward Looking parameters**	5,-1
7	**Incentive / Bonus marks**	12
	TOTAL	**100**

(ii) Definitions

S. No.	Parameters	Definition
1.i	Coverage Ratio	**(Revenue realized from, sale of power pertaining to current year + realization on opening receivables for sale of power and subsidy during current year as per normal receivable cycle + other income pertaining to current year + subsidy received pertaining to current year)/** **(Total Expenditure booked pertaining to current year)** Note :- a) Current year refers to the financial year considered for evaluation and rating purposes. b) the income and expenditure would be adjusted for any extraordinary item. c) normal receivable cycle refers to the portion of the opening receivables as at the beginning of the current year (normal opening debtors for sale of power and subsidy receivable) upto 2-3 months equivalent of power sales and subsidy receivables which has been realized/collected during the current year. d) The realisation (as per the normal receivable cycle)out of the opening receivables, for cost coverage calculation purposes, would be limited to only such receivables (including subsidy receivables) relating to sale of energy registered during the year immediately preceding to the current year.
1.ii	**AT&C Losses (%) for SEBs/PDs/ Discoms**	**(Net input energy (Mkwh) – Energy Realized (Mkwh)) x 100** **Net input energy (Mkwh)**
	• Net input energy (Mkwh)	Total input energy (adjusted for transmission losses and energy traded)
	• Energy realized (Mkwh)	Net sale of Energy (Mkwh) x Collection Efficiency
	• Net sale of energy (Mkwh)	Total energy sold (adjusted for energy traded)
	• Collection Efficiency (%)	(Net Revenue from Sale of Energy – Change in Debtors for Sale of Power) x 100 Net Revenue from Sale of energy
	• Net revenue from sale of energy (₹ cr)	Revenue from sale of energy (adjusted for revenue from energy traded)
1.iv	Interest Coverage Ratio	(PAT + Depreciation, Amortisation + Interest charged to operation) Interest charged to operation
1.v	Debt Equity Ratio	Total Borrowings Total Networth Total Borrowings = Long term debt + Short term Debt Total Networth = Equity + Reserves + Accumulated Profits, Losses – Miscellaneous expenses not written off
1.vi	Sustainability	
1.vi.c	Fixed Assets to Total Debt Ratio	Net Fixed Assets Total Debt
1.vii	Receivables (no. of days)	Debtors for sale of power x 365 Revenue from sale of power
1.viii	Payables (no. of days)	Creditors for purchase of power x 365 Cost of purchase of power

Clarification : Electricity Duty/Cess should be included in the revenue / receivables while calculating Cost Coverage Ratio, AT&C Loss

(iii) Scoring Methodology

S. No.	Parameters	Score
1.i	**Cost Coverage**	**15**
A	Equal to or more than 1.00	15
	Less than 1.00 upto 0.95	proportionate
	Equal to 0.95	12
	Less than 0.95 upto 0.90	7
	Less than 0.90 upto 0.85	5
	Less than 0.85	0
	In case Coverage Ratio less than 0.85 and showing improvement	
	Progressive Increment (Improvement in ratio) in 2 years to the tune of 20%	3
	Increment (Improvement in ratio) during last financial year to the tune of 10%	2

The requirement of cost coverage ratio for getting full marks of 15 will be gradually increased from 1 to 1.02 over a period of five years commencing from rating year FY 2013-14 is given below;

1.i	**Cost Coverage**					15
	FY 2013-14	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	
A	Equal to or more than **1.0033**	Equal to or more than **1.0066**	Equal to or more than **1.010**	Equal to or more than **1.015**	Equal to or more than **1.020**	15
	Less than **1.0033** upto 0.95	Less than **1.0066** upto 0.95	Less than **1.010** upto 0.95	Less than **1.015** upto 0.95	Less than **1.020** upto 0.95	proportionate
	Equal to 0.95					12
	Less than 0.95 upto 0.90					7
	Less than 0.90 upto 0.85					5
	Less than 0.85					0
	In case Coverage Ratio less than 0.85 and showing improvement					
	Progressive Increment (Improvement in ratio) in 2 years to the tune of 20%					3
	Increment (Improvement in ratio) during last financial year to the tune of 10%					2

S. No.	Parameters	Score
1.ii	**AT&C Losses**	**12**
A	Less than or equal to 15%	12
	Between 15-30%	Proportionate
	More than 30%	0

	AT&C loss - Improvement/ Deterioration trend	
	Improvement – reduction in AT&C Loss	
B	Reduction in AT&C loss by 10%	5
	Reduction in AT&C loss by 8%	4
	Reduction in AT&C loss by 6%	3
	Deterioration when >30%	
C	Increase in AT&C loss by 20% or more	-5
	Increase in AT&C loss by 10% up to 20%	-3
	Increase in AT&C loss by 5% up to 10%	-2
1.iii	**Subsidy Support**	**10**

Commencing from rating year FY 2013-14, failure to bring down subsidy requirement will lead to appropriate reduction in marks awarded for subsidy support as given in 1.iii.C.a., 1.iii.C.b. and 1.iii.C.c below;

1.iii	**Subsidy Support**	**10**
A	**Advance payment of Subsidy**	
	• If advance payment made as per direction of regulator	8
	• If advance payment made in a periodic manner i.e. monthly / quarterly as per directions of regulator	8
	• No subsidy is recognised by the regulator (as the need does not arise and if utility has registered positive PAT during the relevant period)	10
B	**Where Subsidy not paid in advance**	
	Entire subsidy is released by Govt. within the end of the first quarter of the subsequent year.	6
	Only part of the subsidy is released by Govt. within the end of the first quarter of the subsequent year	Proportionate
1.iii.C.a.	**Decrease/Increase in the level of subsidy (in % terms) i.e. % of Subsidy booked to revenue from sale of power during the rating year vis-à-vis the previous year**	
	Decrease in the level of subsidy (in % terms) is more than 10%	2
	Decrease in the level of subsidy (in % terms) is more than0% and upto 10%	proportionate
	No change in the level of subsidy (in % terms) i.e. 0%	0
	Increase in the level of subsidy (in % terms) is more than 10%	-2
	Increase in the level of subsidy (in % terms) is more than 0% and upto 10%	proportionate
	Illustration: In case the % of Subsidy booked to revenue from sale of power is X% during the year previous to the rating year and if the same during the rating year has increased to (X+5)% i.e. absolute	

	increase of 5% then proportionate negative score of (-) 1 would be awarded against 1.iii.C.a.	
1.iii.C. b.	**Level of subsidy i.e. % of Subsidy booked to revenue from sale of power during the rating year**	
	More than 60%	-3
	More than 0% upto 60%	proportionate
	Equal to 0%	0
1.iii.C. c.	**Extent of coverage of Annual loss (before subsidy) by Subsidy booked in the rating year**	
	Where there is a loss and however no subsidy has been booked	-5
	Where subsidy is booked but only partially meeting loss	proportionate
	Where subsidy booked covers 100% of the loss i.e. Breakeven / where there is positive PAT	0
Note : Loss is reckoned before subsidy booked		
1.iv	**Interest Coverage Ratio (ICR)**	**5**
A	If ICR is 2 and above	5
	If ICR is less than 2 but equal to 1.5 and above	3
	If ICR is less than 1.5 but equal to 1.25 and above	1
	If ICR is less than 1.25	0
1.v	**Debt Equity Ratio**	**5**
A	If DER is 2.33 and less	5
	If DER is more than 2.33 but equal to 3	3
	If DER is more than 3 but equal to 4	2
	If DER is more than 4 but equal to 5.65	1
	If DER is more than 5.65	0
	Negative Net worth	-3
1.vi	**Sustainability**	**9**
A	**Submission of Business / Perspective Plan/FRP (and in force during the last / current year)**	**2**
	If Business plan/ FRP approved by the Board / State Govt.	1
	If Business plan/ FRP approved by SERC	2
B	**CAGR of Total Revenue on realized basis vs. CAGR of Total Expenditure over 3 years**	**3**
	% Difference (CAGR Growth of Revenue – CAGR Growth of Expenditure)	Marks Allotted
	+3 to -3 (1% decrease in difference leads to reduction by 1/2 mark)	3 to 0

C	**Fixed Assets to Total Debt Ratio**	**4**
	If Ratio is equal to 80% and above	4
	If Ratio is less than 80% but equal to 70% and above	2
	If Ratio is less than 70% but equal to 60% and above	1
	If Ratio is less than 60%	0
1.vii	**Receivables**	**4**
	< 60 days	4
	Between 60 and 90 days	proportionate
	>90 days	0
1.viii	**Payables**	**3**
	< 60 days	3
	Between 60 and 90 days	proportionate
	= 90 days	0
	Between 90 and 120 days	-1
	Between 120 and 180 days	-2
	>180 days	-3
2	**Availability of Audited Annual Accounts (Statutory Audit)**	**5**
	Exercise Year - FY (T) **Rating w.e.f. beginning of FY 'T+1'**	
	Parameter	
	FY (T-1) Audited accounts made available by 30th September of FY(T)	5
	FY (T-1) Audited accounts made available by 31st December of FY(T)	4
	Audited accounts for FY (T-2) available. Accounts for FY(T-1) made available by 31st Dec has been adopted by Board of Directors and also submitted to statutory auditors/CAG	2
	Audited accounts for FY (T-2) available. Preliminary / Provisional Accounts for FY (T-1) made available by 31st Dec is awaiting board approval.	0
	FY (T-2) Audited	-5
	FY (T-3) Audited	-10
If two audited accounts relating to past 5 years are submitted within a span of 9 months in the last calendar year then negative marks will be converted to zero.		
2.1	**Audit Qualifications**	-2
	Non-provision / payment of Employee related liabilities / Statutory dues in the accounts.	-2
3	**Extent of Cross subsidy (average score of various categories to be taken)**	**0**
	Between 20% and 30% of Average Cost of Supply	-1

	More than 30% of Average Cost of Supply	-2
4	**Unbundling & Corporatisation***	
	Already Unbundled	0
	SEB continues to function	-5
	Issue of Gazette notification for Unbundling	-4
	Issue of Gazette notification for Transfer of Assets	-3
	*Wherever unbundling process has been stayed by a court order, no negative marks would apply.	
5.1	**Regulatory Environment**	**15**
A	**Issue of Regulations (as per F.O.R model regulations) w.r.t to Determination of Tariff , Open Access**	**2**
B	**Tariff Filing / Tariff Order**	
i	Tariff Petition Filed for next financial year (As on 30th November)	3
ii	Non-filing of Tariff petition / Non-issuance of Tariff Order	
	No tariff petition / order for current year	-1
	No tariff petition / order for last two years	-3
	No tariff petition / order for last three years	-5
iii	Tariff Order Issued as per regulations	
	Tariff Order for Current Financial Year (2010-11) (for rating on Dec 2010)	4
	MYT Order covers Current Financial Year (2010-11)	6
iv	True-up order for year, prior to previous year issued on basis of audited accounts	2
	If there is no True-up order	-1
v	Return on Equity	
	Return on equity – CERC / F.O.R. norms followed 100%	2
	Return on equity – CERC / F.O.R. norms followed partially	1
	Return on equity – CERC / F.O.R. norms not followed	-1
vi	Untreated Revenue Gap in the ARR order	-5
5.2	**Regulatory Asset**	
	If Regulatory Asset not created or if created carrying cost has been allowed by Regulator	0
	If carrying cost is not allowed by Regulator	-2

	If regulatory asset carried for more than 3 years	-3
6	**Forward Looking parameters**	**5**
A	**Automatic pass through of fuel cost**	
	• Yes	2
	• No	-1
B	**Cost competitiveness of power purchase outside long term PPA (Cost of long term PPA power purchase, cost of purchases outside long term PPA and quantum of power purchase outside long term PPA)**	
	• More than 90% power purchase through long term PPA	2
	• Between 85% to 90% power purchase through long term PPA	1
C	**Utilisation of 100% R-APDRP scheme**	1
7	**Incentive / Bonus marks** *(limited to 12 marks)*	**12**
i	Net Profit (on subsidy received basis)	
	• in last 3 years	3
	• in last 2 years	2
ii	No default in last 3 years to Banks / FIs	2
iii	Quality of accounts with reference to full provision for employee related and other statutory liabilities.	2
iv	Induction of PPP structure in distribution of power	1
v	Average debt profile vis-a-vis project resource mobilisation programme	1
vi	Trend of Capex (where investment in capital expenditure while maintaining existing DE Ratio)	2
vii	RPO Compliance	
	• If target set for RPO	1
	• If target achieved for RPO	2
viii	Segregation of rural feeders	1
ix	Overall consumer metering (80% or more)	3
x	Anti-theft measures • Establishment & operationalisation of special courts (at least one court covering each distribution utility)	2
xi	Dedicated IT Cell headed at the level of GM / Director	1
xii	Customer Service / Establishment of Call center, E-Payment facilities, etc.	1

4. All State Distribution Utilities would be required to furnish requisite inputs on year to year basis along with relevant documents like Audited Annual Accounts, ARR submitted to SERC, SERC orders, Business Plan, State Budgetary Plan, State Govt orders/notifications, Subsidy release particulars etc.

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