



Press Release
Bokaro Power Supply Company Private Limited
March 14, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	290.00	ACUITE AA- Stable Reaffirmed	-
Bank Loan Ratings	110.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	400.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) and short-term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) on Rs. 400.00 Cr. bank facilities of Bokaro Power Supply Company Private Limited (BPSCL). The outlook remains '**Stable**'.

Rationale for the rating

The rating reaffirmation continues to factor in the sound business risk profile of the company as reflected from its strong operating performance coupled with healthy profitability. Further, it is also supported by the strong parentage and the strategic importance to the parent i.e. SAIL and its, healthy financial position characterised by negligible debt and robust debt coverage indicators. BPSCL's long term 'cost plus' PPA with SAIL and the secured raw material linkages underpin its steady operating performance. These strengths are however, partly offset by working capital intensive nature of the business and counterparty risk accruing from dependence on a single buyer.

About the Company

Incorporated in 2001, Bokaro Power Supply Company Private Limited (BPSCL) is owned jointly and equally by Steel Authority of India Limited (SAIL) and Damodar Valley Corporation (DVC). The company is engaged in thermal power generation for Bokaro Steel Plant (BSL), which pertains to SAIL. SAIL and DVC both have equal representation in the board of directors and the chairman is nominated by DVC. The plant has an aggregate generation capacity of 338 MW of power and 2180 Tonne per Hour (TPH) of steam, exclusively for use by BSL. Further, the plant has 9 boilers (5 boilers each of 220 TPH, 3 boilers each of 260 TPH capacity and 1 boiler of 300 TPH) and 7 turbine generators (one 12 MW back Pressure Turbine Generator (TG), 2 TGs each of 55MW capacity, 3 TGs each of 60 MW capacity and one 36 MW back Pressure Turbine Generator). Currently, Mr.Arup Sarkar, Mr.Joydeep Mukherjee, Mr.Sanjoy Kumar Ghosh, Mr.Suresh Rangani, Mr.Ved Prakash, and Mr.Birendra Kumar Tiwari are the directors of the company.

Unsupported Rating

Acuite A+/Stable

Analytical Approach

Acuite has taken a standalone rating approach while arriving at the ratings of Bokaro Power Supply Company Private Limited (BPSCL). However, Acuite has also notched up the rating due to the strategic importance of the entity and its strong business linkages with the Bokaro

Steel Plant of SAIL.

Key Rating Drivers

Strengths

Strategic importance and strong business linkages with SAIL

The ownership structure of BPSCL provides adequate financial flexibility, as the company is a joint venture of SAIL and DVC with 50 per cent shareholding of each. BPSCL also derives significant benefits from its strong operational linkages with SAIL, as reflected from its operational performance and timely settlement of receivables from SAIL. BPSCL has a strategic importance to SAIL as it caters to around 50-55 per cent of the total power requirement of its Bokaro Steel Plant (BSL). Acuité notes that Bokaro Steel Plant (BSL) is one of the key steel producing units of SAIL with the largest installed capacity

Acuité believes that BPSCL, from its status as a captive power unit for BSL and its critical role in ensuring uninterrupted power supply to Bokaro Steel Plant, shall continue to benefit from the financial, operational and management support from SAIL as and when required. Any changes in the ownership pattern of BPSCL or any event that impinges SAIL's overall credit profile shall remain a key rating sensitivity.

Long term 'cost plus' Power Purchase Agreement with SAIL

BPSCL has a long-term Power Purchase Agreement (PPA) of 14 years with SAIL since March 2017 with a renewal clause. As per the PPA, the tariff is based on the 'cost plus' structure with a fixed return on equity (RoE), which includes recovery of fixed and variable costs, that is, full pass through of any raw material cost escalations and interest on working capital along with specified return on equity. BPSCL sells its entire power and steam output to Bokaro Steel Plant. Acuité derives strength from the Power Purchase Agreement (PPA) and further believes that the long term PPA and the very high likelihood of its renewal mitigates any offtake and profitability risks.

Steady operating performance with assured raw material linkages

The comfortable business risk profile of the company is marked by the strong operating performance of the company. The company has achieved revenue of Rs.867.08 Cr. in FY2023 as compared to Rs.752.02 Cr. in FY2022. The operating margin moderated to 8.31 per cent in FY2023 from 9.77 per cent in FY2022. The Return on Capital Employed (ROCE) of the company, stood at 10.74 per cent for FY2023 as compared to 10.57 per cent for FY2022.

Moreover, BPSCL has existing fuel supply agreements with government owned companies like Bharat Coking Coal Limited and Central Coalfields Limited. The company also purchases coal from SAIL. Hence, the risks related to steady fuel supply are largely mitigated for BPSCL.

Acuité believes the raw material linkages provide further support to the business risk profile of the company and ensure uninterrupted generation.

Robust financial risk profile

The robust financial risk profile of the company is marked by strong net worth, low gearing, and healthy debt protection metrics. The tangible net worth of the company stood at Rs.838.62 Cr. as on March 31, 2023 as compared to Rs.908.37 Cr. as on March 31, 2022. The moderation in net worth is on account of payment of Rs.133.94 Cr. as dividend during the FY2023 against Rs.24.80 Cr. in FY2022. Gearing stood very low at 0.02 times both as on March 31, 2023 and as on March 31, 2022 as well. The healthy debt protection is marked by moderated yet healthy ICR of 26.25 times and DSCR of 18.88 times as on March 31, 2023. The net cash accruals to total debt (NCA/TD) stood at 4.21 times as on March 31, 2023.

Acuité believes that BPSCL's financial risk profile will continue to remain robust on the back of healthy cash accruals from operations and conservatively geared capital structure with minimal dependence on external borrowings.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by improved yet high Gross Current Asset (GCA) days of 172 days as on March 31, 2023 as against 223 days as on March 31, 2022. The high GCA days, is on account of a high proportion of Other Current

Assets consisting of mainly advance tax. However, the debtor days stood low at 50 days as on March 31, 2023 as compared to 61 days in as on March 31, 2022. Further, the inventory days stood comfortable at 52 days as on March 31, 2023 as compared to 45 days as on March 31, 2022.

Going forward, Acuité believes that the working capital operations of the company will remain at similar levels as evident from comfortable collection mechanism and inventory levels over the medium term.

Rating Sensitivities

- Any significant changes in the shareholding pattern
- Any material deterioration in the credit profile of SAIL or BSL

Liquidity Position Strong

The company's liquidity profile is strong marked by healthy net cash accruals of Rs.64.76 Cr as on March 31, 2023 as against no debt obligations. The current ratio stood comfortable at 3.75 times as on March 31, 2023. Further, the fund-based limit remains utilised at 11 per cent over the six months ended December 2023. The cash and bank balances of the company stood at Rs.124.87 Cr as on March 31, 2023 as compared to Rs.193.62 Cr as on March 31, 2022. However, the working capital-intensive nature of operations of the company is marked by the high Gross Current Asset (GCA) days of 172 days as on March 31, 2023 as against 223 days as on March 31, 2022.

Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the company's outlook will remain 'stable' over the medium term driven by its comfortable business risk profile and strong financial risk profile, supported by the high level of business linkages with SAIL. The outlook may be revised to 'Positive' in case the company registers a sustained growth in revenues and profitability while maintaining its financial risk profile. The outlook may be revised to 'Negative' if there is any significant deterioration in its business and financial performance derived from a decline in the credit quality of SAIL or any unexpected increase in borrowings due to debt funded expansion plans.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	867.08	752.02
PAT	Rs. Cr.	64.40	73.12
PAT Margin	(%)	7.43	9.72
Total Debt/Tangible Net Worth	Times	0.02	0.02
PBDIT/Interest	Times	26.25	37.30

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Dec 2022	Cash Credit	Long Term	140.00	ACUITE AA- Stable (Reaffirmed)
	Cash Credit	Long Term	150.00	ACUITE AA- Stable (Reaffirmed)
	Letter of Credit	Short Term	60.00	ACUITE A1+ (Reaffirmed)
	Short-term Loan	Short Term	50.00	ACUITE A1+ (Reaffirmed)
20 Sep 2021	Cash Credit	Long Term	140.00	ACUITE AA- Stable (Reaffirmed)
	Cash Credit	Long Term	150.00	ACUITE AA- Stable (Reaffirmed)
	Letter of Credit	Short Term	60.00	ACUITE A1+ (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Short Term	50.00	ACUITE A1+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE A1+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	150.00	ACUITE AA- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	104.00	ACUITE AA- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	36.00	ACUITE AA- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A1+ Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Steel Authority of India Limited - Parent Company.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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