



Press Release
THE DURGAPUR PROJECTS LIMITED
February 20, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3180.45	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	94.55	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	3275.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) on the bank facilities of Rs.3275 Cr. of The Durgapur Projects Limited (DPL). The outlook remains '**Stable**'.

Rationale for Rating

The rating reflects the company's steady business risk profile driven by moderate increase in revenue levels, supported by long term PPA and comfort from the stake of GoWB. Despite decline in capacity utilizations and PLF, scale of operations have improved marginally. With improvement in coal quality, operating margins have improved slightly with Fuel Supply Agreements (FSAs) and captive mine, mitigating offtake risk regarding coal procurement. The capex plans are expected to start in FY26 and complete as per timelines which will remain a key monitorable factor along with its below average financial risk profile. The strengths are offset by regulated industry operations in the electricity generation business, intensive working capital management and stretched liquidity.

About the Company

The Durgapur Projects Limited (DPL) was incorporated in 1961 by acquiring all the assets and liabilities of Durgapur Industries Board, under the administrative control of the Department of Power of the Government of West Bengal (GoWB). Further, in December 2017, the GoWB restructured DPL as a wholly owned subsidiary of West Bengal Power Development Corporation Limited (WBPDC), which in turn is a 100 per cent undertaking of the state government.

DPL was previously involved into multiple activities such as generation, distribution and transmission of power; however, post the restructuring the company is solely into power generation since January 2019. As a part of the restructuring scheme, the business of power transmission activities of DPL had been transferred and vested in West Bengal State Electricity Transmission Company Limited (WBSETCL; rated at ACUITE A+/Stable) and the business of power distribution activities have been transferred and vested in West Bengal State Electricity Distribution Company Limited (WBSEDCL; rated at ACUITE BBB/Stable/A3+). Both, WBSEDCL and WBSETCL are also wholly owned undertakings of the state government.

Presently, DPL has thermal power generation units aggregating to 550 MW and their sole customer is

WBSEDCL. WBSEDCL caters to around 80 per cent of power needs in the state of West Bengal. Moreover, DPL has 50 MGD water works which caters to the needs of industries and domestic requirements of water in and around Durgapur apart from captive usage.

Unsupported Rating

ACUITE BB+/ Stable/ ACUITE A4+

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of DPL to arrive at the rating. However, the rating factors in the support from the Government of West Bengal (GoWB), through its holding in West Bengal Power Distribution Company Limited (WBPDCCL) of which DPL is to become a wholly owned subsidiary. The state government of West Bengal has provided guarantee for the loans taken by DPL from West Bengal Infrastructure Development Finance Corporation Limited (WBIDFCL) and other banks.

Key Rating Drivers

Strengths

Support from the Government of West Bengal

DPL is to become a wholly owned subsidiary of WBPDCCL, which is itself a 100 per cent undertaking of the GoWB and a strategically important entity for the power sector infrastructure for the state of West Bengal. The ownership structure provides adequate financial flexibility. Being the power generation licensee by West Bengal Electricity Regulatory Commission (WBERC), DPL is mandated to ensure generation of power from its installed capacity and supply the same to West Bengal State Electricity Distribution Company Limited (WBSEDCL) in the industrial belt of Durgapur in West Bengal. DPL's credit profile is also supported by its access to funds at low cost and its ability to mobilise financial resources from several financial institutions and multilateral development institutions.

Acuité believes that DPL, being a strategically important entity for the state of West Bengal, shall continue to benefit from the financial, operational and management support from the state government as and when required. The GoWB has demonstrated financial support by way of loans to DPL on a regular basis. Moreover, the loans of DPL have been guaranteed by GoWB which provides further comfort to the rating. Any changes in the ownership pattern of DPL or any event that impinges GoWB's overall credit profile shall remain a key rating sensitivity.

Cost plus tariff mechanism

The billing of generation charges of DPL are regulated and based on the Annual Revenue Requirement (ARR) under 'cost-plus' based tariff mechanism. The regulator, West Bengal Electricity Regulatory Commission (WBERC) allows a post-tax return on equity and other uncontrollable expenses are allowed to be passed through in tariff through Annual Performance Review (APR) process. Acuité believes the 'cost-plus' based tariff mechanism will continue to sustain the stable business outlook for the company.

Assured offtake on account of power purchase agreement

There is a power purchase agreement (PPA) between WBSEDCL and DPL for 25 years, from 2019 to 2044. As per the agreement, the entire generating capacity of DPL is allotted to WBSEDCL, who purchases such power as per terms conditions set forth in the agreement. Acuité believes that the long term agreement ensures assured offtake of the company. Further, DPL has achieved operating income of Rs.1387.41 Cr. in FY24 as against Rs.1313.35 Cr. in FY23. The company has attained revenues of Rs. 985.07 Cr. till December 2024. The EBITDA Margin stood at 37.30 percent in FY24 as against 29.47 percent in FY23. The improvement is because of reduced employee costs and raw material costs due to captive coal off-takes. The PAT margin stood at 0.54 percent in FY24 as against 0.77 percent in FY23. Acuité believes the scale of operations will improve over the medium term backed by rise in plant load factor and low offtake risks.

Weaknesses

Below Average Financial Risk Profile

The company's weak financial risk profile is marked by reducing network, and weak debt protection metrics. The tangible net worth of the company has been eroded due to continuous accumulated losses. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 1.55 times as on March 31, 2024 as against 1.44 times as on March 31, 2023 and Debt Service Coverage Ratio at 0.55 times as on March 31, 2024 as against 0.57 times as on March 31, 2023. Acuité believes that going forward the financial risk profile of the company will improve backed by the steady accruals.

Working capital intensive nature of operations

The working capital operation of the company is intensive marked by high Gross Current Assets (GCA) of 550 days as on March 31, 2024, as against 473 days as on 31st March 2023 due to debtor and inventory days. The debtor days stood at 180 days in FY24 as against 151 days in FY23. The debtor days are elongated due to delayed payments in case of LPS and MCL bills, despite maintains a credit period of 60 days. The inventory days stood high at 98 days in FY24 as against 33 days in FY23. The inventory days had increased due to coal procurement from captive mines characterized by longer lead times. The company has mitigated this risk through insurance coverage.

Against this, the creditor days stood at 218 days in FY24 as against 317 days in FY23. Acuité believes that the working capital operations of the company will remain at similar levels as evident from stretched collection mechanism and over the medium term.

Regulated nature of operations

The revenues are influenced by the regulatory framework governing the power sector. Revenues of players such as DPL are determined by West Bengal Electricity Regulatory Commission (WBERC). The company operates through a cost-plus return on equity model laid down by WBERC. Any change or reduction in return on equity or a tightening of the WBERC norms could result in lower operating cash flows. Acuité believes that significant changes in the regulatory environment will impinge on the credit profile of the company.

Rating Sensitivities

- Timely support from the Government of West Bengal
- Periodical tariff revision
- Working capital cycle
- Capital structure
- Any deterioration in liquidity position

Liquidity Position

Stretched

The state government of West Bengal has given guarantee for the loans borrowed by DPL from WBFIDCL and other banks, which provides financial flexibility to the company. However, the company's liquidity is stretched marked by accumulated losses. The current ratio stood below unity at 0.96 times as on March 31, 2024. The Government of West Bengal, through its Department of Power, converted a loan of Rs. 391.69 Crore into equity on 16.06.2023, as part of its ongoing efforts to restructure finances. Additionally, on 28.02.2024, the State Government allocated another Rs. 29.37 Crore to purchase a private land. This land will be used to ensure the smooth operation of the Trans-Damodar Coal Mine, in line with the State Government's Procurement Policy GoWB has further infused of Rs.203 Cr. in FY25 for repayment of guaranteed commission and electricity duty. The cash and bank balances of the company stood at Rs.27.49 Cr. as on March 31, 2024, as compared to Rs.23.05 Cr. as on March 31, 2023. The company also maintains unsecured loans of Rs. 311.81 Cr. in FY24 as against Rs. 11.81 Cr. in FY23. These unsecured loans are interest free extended by Central Electricity Authority (CEA) for coal purchases. However, the fund-based limit and non-fund-based limit remains utilised at 100% over the seven months ended January 2025. The company has availed short term loan from time to time to meet its working capital requirement. Acuité believes that going forward the liquidity position of the company will improve backed by the gradually improving accruals, unsecured loans and equity infusion.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1387.41	1313.35
PAT	Rs. Cr.	7.48	10.09
PAT Margin	(%)	0.54	0.77
Total Debt/Tangible Net Worth	Times	(2.83)	(2.08)
PBDIT/Interest	Times	1.55	1.44

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>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
24 Nov 2023	Bank Guarantee (BLR)	Short Term	94.55	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	2606.44	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	185.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	100.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	59.01	ACUITE BBB+ Stable (Reaffirmed)
01 Sep 2022	Bank Guarantee (BLR)	Short Term	94.55	ACUITE A2 (Reaffirmed)
	Proposed Letter of Credit	Short Term	100.00	ACUITE A2 (Reaffirmed)
	Proposed Letter of Credit	Short Term	20.45	ACUITE A2 (Assigned)
	Term Loan	Long Term	2480.45	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	194.55	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	185.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	200.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	94.55	Simple	ACUITE A2 Reaffirmed
The West Bengal State Co-Operative Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	330.00	Simple	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE BBB+ 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.	284.68	Simple	ACUITE BBB+ Stable Reaffirmed
The West Bengal State Co-Operative Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	69.42	Simple	ACUITE BBB+ Stable Reaffirmed
West Bengal Infrastructure Development Finance Corporation Limited	Not avl. / Not appl.	Term Loan	30 Jun 2021	Not avl. / Not appl.	30 Jun 2036	2366.35	Simple	ACUITE BBB+ Stable Reaffirmed

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

Sr.No.	Company Name
1	The Durgapur Projects Limited
2	Government of West Bengal

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About Acuité Ratings & Research

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