



**Press Release**  
**Punjab State Power Corporation Limited**  
**October 10, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9502.65	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	1769.50	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	11272.15	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and its short term rating of '**ACUITE A3+**' (read as **ACUITE A Three Plus**) on the Rs. 11272.15 Cr. bank facilities of Punjab State Power Corporation Limited (PSPCL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating reaffirmation takes into account PSPCL's 100 percent ownership by the Government of Punjab (GoP) and its strategic importance for the state. The rating also draws comfort from the lower offtake risk marked by long term PPAs with National Thermal Power Corporation (NTPC), National Hydroelectric Power Corporation (NHPC), Nuclear Power Corporation of India Limited (NPCIL), Damodar Valley Corporation (DVC) among others. The rating also factors in the financial flexibility receive by the company from GoP in form of irrevocable and unconditional guarantee for the entire bank facilities and regular subsidy payments. The rating also takes into account the moderate financial risk profile, moderate working capital operations and adequate liquidity which is supported by the GoP.

However, the rating is constrained by significant deterioration in profitability of the company despite growth in the operating income. The company reported revenues of Rs. 37,954.45 Cr. in FY23 as against Rs. 34,427.26 Cr. in FY22. On the other hand, the company reported EBITDA losses of Rs.3367.45 Cr. against profit of Rs.2110.16 Cr. The primary reason for this drastic drop is on account of high-power purchase cost, high generation cost and high employee cost (due to payment of arrears). Furthermore, Punjab State Electricity Regulatory Commission had not granted a hike in the tariff rates as per the requirements of PSPCL. PSPCL for its fuel requirements remained dependent upon imported coal in FY 2022-23 as its mines did not generate sufficient coal to meet its requirements. The generation of coal from PSPCL mine till date is 17.12 Lakh Tonne, whereas the same was remained at 0.50 lakh Tonne during 2022-23 as the mine operations started from January 2023. The rating is further constrained on account of regulated nature of operations and multiple audit qualifications made by the auditors.

**About the Company**

Govt. of Punjab vide its notification dated April 16, 2010 unbundled Punjab State Electricity Board into two companies viz Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited. PSPCL is 100% subsidiary of Government of Punjab and is engaged in generation and distribution of power in the state of Punjab. PSPCL generates

power through its Thermal and Hydel Power Plants and gets power as per long term PPAs.

## **Standalone (Unsupported) Rating**

ACUITE BB-/ Stable

## **Analytical Approach**

Acuité has considered a standalone approach while assessing the business and financial risk profile of PSPCL and has factored in financial, operational and managerial support it receives from GoP by being a wholly owned subsidiary. The rating factors also the benefits emanating from the ownership by GoP and the same have extended corporate guarantee towards borrowings of PSPCL.

## **Key Rating Drivers**

### **Strengths**

#### **Strategically important entity and support from the government of Punjab**

PSPCL is a wholly owned undertaking of the Punjab government. It is a strategically important entity which forms the backbone of the power sector for Punjab. The status of the company as a 100 per cent government of Punjab owned entity provides financial flexibility. Government of Punjab provides support to PSPCL by way of providing security for its loans in the form of irrevocable and unconditional guarantee for the entire bank facilities of the company. This enables PSPCL to procure loans from Banks/ Financial Institutions at a competitive rate of interest. The government also provides support to the company in the form of subsidy payments. In FY23, there was a delay in the subsidy payments received from the government. However, the company has started receiving subsidy payments on time. As per the management, the total subsidy received upto September' 23 is Rs. 9732.77 Cr.

Acuité believes that PSPCL, being a 100 per cent undertaking of GoP, shall continue to benefit from the financial, operational and management support from time to time. The GoP has demonstrated financial support by way of loans to GoP on a regular basis. Any changes in the ownership pattern of PSPCL or any event that impinges PSPCL's overall credit profile shall remain a key rating sensitivity.

#### **Moderate Financial Risk Profile**

The financial risk profile of the company is moderate marked by moderate net worth, moderate gearing, and weak debt protection metrics. The tangible net worth of the company declined and stood at Rs. 25,324.58 Cr. in FY23 as against Rs. 29,805.93 Cr. in FY22. The total debt of the company increased and stood at Rs.17,815.47 Cr. as on 31st March 2023 as against Rs. 16,645.84 Cr. as on 31st March 2022. The debt outstanding in FY23 comprises of long-term debt of Rs.12,854.05 Cr. and Rs. 4961.42 Cr. of short-term debt. The gearing of the company stood comfortable at 0.70 times for FY23 as against 0.56 times in FY22. The TOL/TNW also stood at 1.31 times as on 31st March 2023 as against 0.99 times as on 31st March 2022. The debt protection metrics remained weak with debt service coverage ratio of -0.58 times in FY23 as against 1.03 times in FY22 and interest coverage ratio stood at -1.36 times in FY23 as against 2.62 times in FY22. Despite low DSCR, the company was able to service its debt obligations on timely receipt of the legacy subsidies received from the Govt. Acuité believes that the financial risk profile of the company will continue to moderate.

#### **Moderate Working Capital Operations**

The operations of the company are working capital moderate in nature marked by GCA days of 156 days in FY23 as against 190 days in FY22. The receivable days of the company stood moderate at 61 days in FY23 as compared to 68 days in FY22. The inventory levels of the company stood low at 6 days during the same period compared against 5 days for FY22. The creditor days of the company stood at 55 days for FY23 compared against 45 days for FY22. Acuité believes that the working capital operations of the company will continue to

moderate.

## Weaknesses

### Profitability significantly impacted despite growth in scale of operations

PSPCL has recorded growth in the operating income to Rs. 37,954.45 Cr. in FY23 as against Rs. 34,427.26 Cr. in FY22. However, the margins of the company witnessed a decline as reflected in the EBITDA of FY23 which stood at -8.87% in FY23 as against 6.13% in FY22. The PAT margins of the company also declined to -12.58% in FY23 as against 3.11% in FY22. The primary reason for this drastic drop is on account of high power purchase cost, high generation cost and high employee cost (due to payment of arrears). Furthermore, Punjab State Electricity Regulatory Commission had not granted a hike in the tariff rates as per the requirements of PSPCL. PSPCL for its fuel requirements remained dependent upon imported coal in FY 2022-23 as its mines did not generate sufficient coal to meet its requirements. The generation of coal from PSPCL mine till date is 17.12 Lakh Tonne, whereas the same was remained at 0.50 lakh Tonne during 2022-23 as the mine operations started from January 2023. However, going forward the demand for coal will largely be met from PSPCL mine during resulting into decreased generation cost in future which is expected to improve the profitability of the company. Furthermore, PSERC has approved a tariff hike of about 8% during the current financial year and started receiving legacy subsidy payments on time which is also expected to improve the cashflows of the company.

Acuité believes that the improvement in profitability and timely receipt of legacy subsidies from GoP will remain a key rating sensitivity going ahead.

### Aggregate Technical and Commercial Loss

The Aggregate and Technical Commercial Loss remained range bound and stood at 11.26% in FY23 as against 11.67% in FY22. Further, the collection efficiency in FY23 improved and stood at 100.31% as against 93.22% in FY22. Going forward, with the aim to reduce losses, the company has undertaken the Results Linked Distribution Sector Scheme (RDSS). The RDSS project involves working to improve the quality and reliability of power supply to consumers through a financially sustainable and operationally efficient distribution Sector. The Scheme aims to reduce the AT&C losses to pan-India levels of L2-L5% and the ACS-ARR gap to zero by 2024-25. The Nodal Agency (PFC) has sanctioned the scheme amounting to Rs. 9,563.08 Cr.

### Regulated nature of operations

The revenues are influenced by the regulatory framework governing the power sector. Revenues of players such as PSPCL are determined by state electricity regulatory commissions. The Punjab State Electricity Regulatory Commission (PSERC) takes into account key parameters such as the cost structure and expected return on capital employed to arrive at distribution tariffs.

Acuité believes that significant changes in the regulatory environment will impinge on the credit profile of the company.

### ESG Factors Relevant for Rating

PSPCL is making continuous efforts to positively impact the society for which the company has formulated policies such as:

1. Strengthening rural areas by improving accessibility, housing, drinking water, sanitation, power and livelihoods, thereby creating sustainable villages.
2. Promoting education, including special education and employment-enhancing vocational skills especially among children, women, elderly and the differently abled, and livelihood enhancement projects monetary contributions to academic institutions for establishing endowment funds, chairs, laboratories, etc., with the objective of assisting students in their studies.
3. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining the quality of soil, air and water.

4. Working on eradicating extreme hunger, poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water.
5. Protecting national heritage, art and culture including restoration of buildings and sites of historical importance and works of art

### **Rating Sensitivities**

- Improvement in the profitability margins
- Timely and adequate Support from Government of Punjab
- Efficient Bill and Subsidy collection

### **All Covenants**

Not Applicable

### **Liquidity Position Adequate**

The company's liquidity is adequate marked by continuous support from the Govt. of Punjab despite generating low net cash accruals to its maturing debt obligations. The net cash accruals of the company stood at Rs. -3481.29 Cr. in FY23 as against its maturing obligations of Rs. 1998.75 Cr.. Further, the current ratio of the company stood at 0.95 times in FY23 as against 1.41 times in FY22. The current ratio of the company declined and stood at 0.95 times in FY23 as against 1.41 times in FY22. The company has GCA days of 156 days in FY23 as against 190 days in FY22. The bank limit utilisation for fund-based facilities of the company stood at 81.91% and 99.59% for non fund-based facilities in FY23. The company has cash and bank balance of Rs. 19.03 Cr. in FY23.

An amount of Rs. 9,020 Cr. was pending on account of subsidy provided by Govt. of Punjab to different category of consumers for past years. The GoP under liquidation plan (5 Years) for clearance of this outstanding amount has released first instalment of around Rs. 1800 Cr. in financial year 2022-23 and will make payment of an equivalent amount in coming 4 years thereby easing cash flow position of PSPCL. Apart from that Govt. of Punjab has also waived off pending bills of consumers in FY 2022-23 and amount due on that account has been paid directly by Govt. of Punjab to PSPCL. Due to the above-mentioned reasons PSPCL was able to pay its loans in FY 2022-23 through its own sources.

### **Outlook: Stable**

Acuité believes that the company will maintain 'Stable' outlook over the medium term due to the strategic importance and the support provided by the state government. The outlook may be revised to 'Positive' in case the company registers improvement in profitability and maintaining its revenue generation. Conversely, the outlook may be revised to 'Negative' in case of any unexpected deterioration in the financial profile, elongation of working capital cycle or any significant pressures on the fiscal position of the state government.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	37954.45	34427.26
PAT	Rs. Cr.	(4775.93)	1069.21
PAT Margin	(%)	(12.58)	3.11
Total Debt/Tangible Net Worth	Times	0.70	0.56
PBDIT/Interest	Times	(1.36)	2.62

## 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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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](http://www.acuite.in)



## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Aug 2022	Working Capital Demand Loan	Long Term	450.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Demand Loan	Long Term	149.59	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	133.93	ACUITE BBB-   Stable (Assigned)
	Working Capital Demand Loan	Long Term	500.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	687.79	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	169.27	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	24.57	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	750.00	ACUITE BBB-   Stable (Assigned)
	Secured Overdraft	Long Term	100.20	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	750.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	2014.37	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	660.12	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	648.10	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	147.95	ACUITE A3+ (Assigned)
	Working Capital Demand Loan	Long Term	600.00	ACUITE BBB-   Stable (Assigned)
	Secured Overdraft	Long Term	131.82	ACUITE BBB-   Stable (Assigned)
	Working Capital Demand Loan	Long Term	120.00	ACUITE BBB-   Stable (Assigned)
	Proposed Term Loan	Long Term	784.89	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	666.92	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	0.05	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	300.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	2.11	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	473.65	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	147.38	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	859.44	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3+   Reaffirmed
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	192.50	ACUITE A3+   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE BBB-   Stable   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	150.00	ACUITE BBB-   Stable   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	250.00	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	80.00	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	150.00	ACUITE A3+   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1425.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	73.59	ACUITE BBB-   Stable   Reaffirmed
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	107.14	ACUITE BBB-   Stable   Reaffirmed
Punjab and Sind Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	300.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	880.36	ACUITE BBB-   Stable   Reaffirmed



Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	107.14	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	300.00	ACUITE BBB-   Stable   Reaffirmed
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	562.50	ACUITE BBB-   Stable   Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	163.39	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	525.08	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	496.75	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1681.70	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	201.66	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	300.00	ACUITE BBB-   Stable   Reaffirmed
Indian Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	189.11	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	200.00	ACUITE BBB-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	370.00	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	600.00	ACUITE BBB-   Stable   Reaffirmed

Punjab National Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	600.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	450.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	504.23	ACUITE BBB-   Stable   Reaffirmed

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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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