

May 5, 2010

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF DPSC LTD.

CARE has reaffirmed the '**CARE A**' (**Single A**) rating assigned to the long-term and medium-term bank facilities of Rs.69.61 crore and a '**PR1**' (**PR one**) rating assigned to the short term bank facilities of Rs.5.20 crore of DPSC Ltd. (DPSC). While '**CARE A**' rating is applicable for facilities having tenure over one year, '**PR1**' rating is applicable for facilities having tenure up to one year.

Facilities with '**CARE A**' rating are considered to offer adequate safety for timely servicing of debt obligations. Such facilities carry low credit risk. Facilities with **PR1** rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, facilities with relatively better credit characteristics are assigned PR1+ rating. A snapshot of the ratings retained are as under: -

Facility	Amount (Rs. crore)	Rating
Long/medium term bank facilities	69.61	CARE A (Single A)
Short term bank facilities	5.20	PR1 (PR one)

Rating Rationale

The above ratings derive strength from the long track record of the company, low business risk due to regulated operations with cost-plus (as permitted by Regulatory Commission) based tariff, satisfactory level of T&D (Transmission & Distribution) loss well conforming to permissible regulatory norm, full metered supply with satisfactory collection efficiency, comfortable gearing & interest coverage ratios and favourable outlook for the domestic power sector. The ratings also factor in change in ownership and senior management team, low power generation capacity & PLF (leading to dependence on purchase of power), volatility in fuel price and exposure to regulatory risks. Ability to improve the profitability, success in building up generation capacity and ability to manage competition emerging due to delicensing of the power sector under the new management are the key rating sensitivities.

Company Profile

DPSC, promoted by Andrew Yule & Co. Ltd. (AYCL) & its group companies in 1919, is engaged in generation & distribution of electricity in a licensed area spreading over 618 sq. km. across Asansol to Ranigaunj industrial belts of West Bengal. It has a total generating capacity of 42.2 MW comprising two thermal power stations. Recently, the controlling stake (57.17%) in DPSC has been acquired by Srei group from AYCL, LIC & United India Insurance Co., through a competitive bidding process. Srei group is an established business house mainly engaged in construction equipment and infrastructure financing with its flagship company being Srei Infrastructure Finance Ltd.

DPSC earned PBILDT and PAT (after deferred tax) of Rs.21.0 crore and Rs.7.6 crore on net sales of Rs.379.1 crore in FY09, as against Rs.27.3 crore, Rs.16.3 crore on net sales Rs.335.2 crore respectively in FY08. PBILDT declined in FY09 from FY08, on account of increase in fuel and power purchase cost. This coupled with higher capital charge led to a fall in PAT level & margin. Both long-term debt-equity ratio and overall gearing ratio improved and were very comfortable as on Mar.31, 2009.

As per the unaudited working results for M9FY10, DPSC's total income and profit level witnessed moderate increase over M9FY09, on account of increase in quantum of power sold. Other financial parameters were also satisfactory.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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