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# Section I

## Background, Utilities Covered and Scoring Methodology



## BACKGROUND

Ministry of Power had formulated an Integrated Rating Methodology in July 2012 for evaluating performance of State Power Distribution utilities on a range of parameters covering operational, financial, regulatory and reform parameters. The rating exercise is carried out on annual basis and presently covers 41 state distribution utilities spread across 22 states. State Power/ Energy Departments and private sector distribution utilities are however not covered under the integrated rating exercise. ICRA and CARE are the designated credit rating agencies and have been assigned 21 and 20 utilities respectively. MoP has mandated Power Finance Corporation (PFC) to co-ordinate the rating exercise.

So far, eight integrated rating exercises covering FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017, FY 2018 and FY 2019 have been completed. The first integrated ratings were released / declared by MoP in March 2013, the second in February 2014, the third in August 2015, the fourth in June 2016, the fifth in May 2017, the sixth in July 2018, seventh in October 2019 and the last i.e. eighth integrated ratings were declared by MoP on 9<sup>th</sup> December 2020..

The Integrated Rating Methodology is reviewed by MoP periodically. A review of rating methodology was taken up by MoP and based on the review, certain modifications providing for revised benchmark for power purchase cost and incorporation of corporate governance, interest coverage ratio, Total Debt to Net Worth and Extent of Subsidy realisation parameters were approved by MOP in May 2021 and July 2021. The Ninth Integrated Ratings, covering the rating year FY 2020, have been carried out under the revised integrated rating methodology. The Rankings and Ninth Integrated Ratings of the State Distribution utilities have been carried out by ICRA Analytics Limited (ICRA) & CARE Advisory Research & Training Limited (CARE), the consulting arms of ICRA Ratings and CARE Ratings respectively in view of the recent SEBI directions.

## UTILITIES COVERED BY ICRA & CARE

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

**RATING APPROACH / INPUTS**

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

S. No.	Parameters	Weightage / Maximum Score
<b>1</b>	<b>OPERATIONAL &amp; REFORM Parameters</b>	<b>43</b>
I)	<b>Operational related</b>	
i)	AT&C Losses	28,-4
ii)	Power purchase	3
iii)	Cost Efficiency	6
II)	<b>Reform related</b>	
iv)	RPO Compliance	2
v)	Corporate Governance	4
<b>2</b>	<b>EXTERNAL Parameters</b>	<b>15</b>
I)	Regulatory	11,-19
II)	Govt. Support	4
<b>3</b>	<b>FINANCIAL Parameters</b>	<b>42</b>
I)	Ratios	
a	Cost Coverage Ratio	15
b	Interest Coverage Ratio	4
c	Total Debt to Net Worth	3, -2
II)	Sustainability	6
III)	Receivables	5
IV)	Payables	4
V)	Audited Accounts	5,-12
VI)	Audit Qualifications	0,-1
VII)	Default to Banks / Fls	0,-2
<b>Total</b>		<b>100</b>

Scores have been assigned on the basis of performance of state distribution utilities against various parameters broadly classified under i) Operational & Reform parameters ii) External Parameters and iii) Financial parameters. The evaluation of certain parameters covers current levels of performance as well as relative improvement from year to year. The operational and reform parameters viz. AT&C Losses, Efficiency of Power Purchase cost, Corporate Governance, etc. carry weightage of 43%. The financial parameters viz. cost coverage ratio, payables, receivables, timely submission of audited accounts, etc. carry weightage of 42%. External parameters relating to regulatory environment, State Govt. subsidy support, etc. have been assigned weightage of 15%.

The methodology used in the current rating exercise takes into account the latest modifications in the rating methodology as approved by Ministry of Power (MoP) in May 2021 and July 2021. The Integrated Rating Methodology incorporating these modifications is given in Appendix. The modifications provide for revised benchmark for power purchase cost and incorporation of corporate governance, interest coverage ratio, Total Debt to Net Worth and Extent of Subsidy realisation parameters.

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

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





## Section II

### Grading Scale & Utility-wise Rank & Grade