

**UP POWER CORPORATION LIMITED**

**Brickwork Ratings reaffirms the ratings for the multiple Bond Issues aggregating Rs. 7909.28 Crs. of UP Power Corporation Limited.**

**Particulars**

Instrument**	Amount		Tenure	Rating*	
	Previous	Present		Previous (25 Sep 2023)	Present
UPPCL Bonds Series III & IV 2016-17	5124.38	<b>3928.38</b>	Long Term	BWR AA (CE)/Stable Reaffirmation	<b>BWR AA (CE)/Stable Reaffirmation</b>
UPPCL Bonds Series I & II 2017-18	5156.10	<b>3980.90</b>		BWR AA- (CE)/Stable Reaffirmation	<b>BWR AA- (CE)/Stable Reaffirmation</b>
<b>Total</b>	10280.48	<b>7909.28</b>	<b>Rupees Seven Thousand Nine Hundred and Nine Crores and Twenty Eight Lakhs Only</b>		

The ratings with the symbol CE are based on Credit Enhancement in the form of unconditional, irrevocable, and legally enforceable guarantee given by the Government of Uttar Pradesh (GoUP), structured payment mechanism, and maintenance of Debt Service Reserve Account. BWR also notes the availability of additional comfort in the form of consistent support of GoUP to the company through subsidy/grants as well as equity infusion.

<b>Unsupported rating</b>	<b>BWR BBB-/Stable (Reaffirmation)</b>
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**Note:** Unsupported rating does not factor in the explicit credit enhancement.

\*Please refer to the BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings.

\*\* Details of the Bonds are provided in Annexure-I.

**RATING ACTION / OUTLOOK**

The reaffirmation of the multiple Bonds’ ratings of UP Power Corporation Limited (UPPCL or the company) continues to derive comfort from the 100% ownership of the GoUP and the company’s strategic importance to the state, availability of GoUP’s unconditional, irrevocable, and legally enforceable guarantee and its continuous support to the company by way of grants/subsidies and equity infusion, availability of strong structured payment mechanisms ensuring timely servicing of dues to bondholders and the maintenance of Debt Service Reserve Account (DSRA) and Bond Servicing Account (BSA). BWR has also factored in the state’s financial position to arrive at the ratings.



The ratings are, however, constrained on account of operating and net losses suffered by the company due to higher energy purchase costs and AT&C losses notwithstanding the decline in AT&C losses in FY24 on YoY basis.

The outlook has been maintained as Stable as the structured payment mechanism for both Series of instruments is expected to continue to function efficiently in future as well, and the GoUP is expected to continue supporting the company through regular equity infusion and grants/subsidies. The outlook may be changed to Positive in case of improvement in the credit risk profile and operational parameters of the company, and improvement in the GoUP finances on a sustained basis. The outlook may be changed to Negative in case of any strain in the structured payment mechanism, shortfall reported on due dates in DSRA/BSA accounts, and weakening of support from GoUP.

#### **ADEQUACY OF CREDIT ENHANCEMENT STRUCTURE**

BWR has assessed the attributes of availability of the unconditional, irrevocable, and legally enforceable guarantees issued by GoUP for the tenure of the rated bonds and the Structured Payment Mechanism for the rated bonds. The BWR-rated Bonds are being serviced through a trustee-monitored structured payment mechanism under which daily proportionate transfers are being made to the designated BSA to ensure the availability of adequate funds by T-15 days. Debt servicing is further supported by DSRA equivalent to one / two quarter(s) of principal and interest payments on a rolling basis. RBI's backstop arrangement for UPPCL Bonds Series III & IV 2016-17 provides additional support to its investors. BWR believes that the structured payment mechanism has enough provisions to ensure timely servicing of the BWR-rated Bonds. In case of any shortfall, GoUP is expected to service the guaranteed debt as per the terms of the guarantees.

#### **KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED**

##### **UPPCL Bonds Series III & IV 2016-17:**

- The rated Bonds of this series are backed by an unconditional, irrevocable, and legally enforceable guarantee from the GoUP under which the GoUP will act as a principal debtor and not merely as surety.
- DSRA equivalent to one quarter of principal and interest on a rolling basis shall be maintained.
- Structured payment mechanism of T-15 days under which daily proportionate transfers will be made to the designated bond servicing account to ensure availability of adequate funds by T-15 days. In case of shortfall, the guarantee will be invoked on T-10 days and the state will have to provide for the shortfall.
- The mechanism also includes an RBI backstop arrangement under which in case the shortfall persists in the BSA, UP state's account with RBI can be directly debited to ensure availability of sufficient funds by T-1 day.
- DSRA will be used by DT in case RBI fails to fund BSA by the due amount by the due date. In case of DSRA impairment, RBI will debit the GoUP account with it at the earliest availability of funds to replenish BSA which would be used by the debenture trustee (DT) to replenish the DSRA.
- The rated bonds will have quarterly interest and principal payments.

### UPPCL Bonds Series I & II 2017-18:

- The rated Bonds of this series are backed by an unconditional, irrevocable, and legally enforceable guarantee from the GoUP under which the GoUP will act as a principal debtor and not merely as surety
- DSRA equivalent to two quarters of principal and interest on a rolling basis shall be maintained.
- Structured payment mechanism of T-15 days under which daily proportionate transfers will be made to the designated bond servicing account to ensure availability of adequate funds by T-15 days.
- In case of shortfall, the guarantee will be invoked on T-10 days and the state will have to provide for the shortfall. If the shortfall still persists, a transfer will be made from DSRA on T-2 days so that adequate funds are available in the bond servicing account.
- Default escrow on the subsidy account which will get activated in case of impairment of DSRA and will remain in force till the replenishment of the same.
- The rated bonds will have quarterly interest and principal payments.

### KEY RATING DRIVERS

#### Credit Strengths-:

- **Guarantee by GoUP:** The GoUP has given an unconditional and irrevocable guarantee for all the BWR-rated bond issues, wherein the state acts as a principal debtor, and not merely a surety. The state will also recognise the said bonds as a contingent liability in the state budget until redemption.
- **Maintenance of DSRA on a rolling basis for the rated series:** UPPCL is maintaining a DSRA for an amount equivalent to the total servicing obligation (principal and interest) of the outstanding bonds for the next quarter on a rolling basis for UPPCL Bonds Series III and IV 2016-17 and the next two quarters on a rolling basis for UPPCL Bonds Series I and II 2017-18. The company has been maintaining adequate balance in the DSRA since the raising of these bonds.
- **Availability of a well-defined Structured Payment Mechanism:** The rated bond series have a well-defined structured payment mechanism that ensures timely transfers to the designated accounts of the respective accounts. The structured mechanism has been adhered to from the beginning with adequate pro-rata transfers to the bond servicing account being made every day.
- **Subsidy and Equity Infusion from State:** UPPCL has been consistently receiving subsidy support from the GoUP for subsidised power being supplied to agriculture and below-poverty-line consumers. For FY24, the company has received grant/subsidy support to the extent of ~Rs. 36,946 Crs. (FY23: ~Rs. 30308 Crs.) primarily consisting of a tariff subsidy of ~Rs. 16520 Crs. (FY23: ~Rs. 17511 Crs.), additional subsidy for loss funding of ~Rs. 9700 Crs. (FY23: ~Rs. 8008 Crs.) and subsidy for the repayment of loan under Atma Nirbhar Bharat of ~Rs. 2288 Crs. (FY23: Rs. 2000 Crs.). Furthermore, the GoUP has been regularly infusing equity in the company to meet its cash flow mismatches. During FY24, the company received ~Rs. 13,338 Crs. (PY: ~Rs. 8788 Crs.) as equity from the GoUP. BWR expects a similar support from GoUP to be maintained which remains a key rating sensitivity.

### **Credit Risks:-**

- **UPPCL's financial and operational performance:** UPPCL continues to report operating as well as net losses. The operating losses are largely driven by high power purchase costs, as well as AT&C losses. The net losses are primarily due to the provision for impairment of investment in subsidiaries and UP Power Transmission Corporation Limited (UPPTCL) in line with the requirements of Ind AS 109.

Notwithstanding, the curtailment of the AT&C losses from ~22.03% in FY23 to ~16.50% in FY24, they remain above the national average of ~13.50% in FY23 and above the operational target of ~15% of Ujwal Discom Assurance Yojana (UDAY). Also, the collection efficiency also improved from 93.54% in FY23 to 98.80% in FY24. Nonetheless, it remains under pressure keeping in view that domestic and agricultural segments form ~65-66% of the company's customer base.

BWR takes note of the company's ongoing efforts to further improve its operational efficiency which are expected to be visible from the medium term. The company is implementing various reform measures under the Central Government's Revamped Distribution Sector Scheme (RDSS) wherein the current focus is on the upgradation of the distribution infrastructure including replacing old transformers, feeder segregation, etc. The company is envisaging the installation of prepaid metering for all categories of customers.

### **ANALYTICAL APPROACH - Credit Enhancement**

BWR has rated two debt series of the company (III & IV of Series 2016-17 and I & II of Series 2017-18). Both the BWR-rated bonds of Series 2016-17 and Series 2017-18 are guaranteed by the Government of Uttar Pradesh (GoUP) which is unconditional, irrevocable and legally enforceable. This guarantee complies with Annexure A - Type of Securities/Support Consideration for CE Suffix of the SEBI Circular dated 28 Sep 2022 for Credit Ratings supported by Credit Enhancement (CE).

Both the BWR-rated series of Bonds also have a credit-enhanced structure by way of a Structured Payment Mechanism and DSRA support. It is also noted that Series 2016-17 also has an additional support mechanism in the form of an RBI Backstop arrangement which offers additional liquidity and hence, one-notch rating differential. Such a structure also complies with Annexure A - Type of Securities/Support Consideration for CE Suffix of the SEBI Circular dated 28 Sep 2022 for Credit Ratings supported by Credit Enhancement (CE).

The unsupported rating of the company takes into account the company's standalone financials, position as the bulk supply licensee for the state of Uttar Pradesh, its monopoly in the distribution business through five discoms, 100% ownership of GoUP, the company's strategic importance to the state of Uttar Pradesh and the GoUP's demonstrated support to UPPCL by continuous fund infusion.

### **RATING SENSITIVITIES**

**Upward:** A substantial and sustained improvement in the operational performance in terms of AT&C losses and collection efficiency, and an improvement in the overall credit risk profile of the GoUP.

**Negative:** Weakening of support from the GoUP and/or a deterioration in its credit risk profile and divergence from the terms of the payment mechanism, accompanied by inadequate balances in the DSRA accounts.

### LIQUIDITY INDICATORS - Adequate

UPPCL's liquidity profile continues to be adequate, marked by the availability of financial support from GoUP in the form of grants/ subsidies/ equity infusion etc. The company has debt obligations (principal and interest) of Rs. 21886 Crs. in FY25 and Rs. 21033 Crs. in FY26 which are expected to be honoured by the cash flow from operations and support from GoUP. The liquidity is further supported by the structured payment mechanism that is functioning efficiently. The company is maintaining a DSRA equivalent to one quarter of principal and interest for 2016-17 bonds and two quarters of principal and interest for 2017-18 bonds and 2022 bonds with adequate arrangements in place for DSRA replenishment in case of any DSRA impairment. In addition, the required amount is transferred to the bonds servicing accounts by T-15 days to ensure timely debt servicing.

### ABOUT THE ENTITY

Macro Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Distribution

Uttar Pradesh Power Corporation Ltd (UPPCL) was incorporated in November 1999 by the GoUP in pursuance of the reform and restructuring of erstwhile Uttar Pradesh State Electricity Board (UPSEB) under the UP Electricity Reforms Act, 1999. UPPCL is specified as a Bulk Supply Licensee and is responsible for the procurement of power from the Gencos and distribution of power in the state via five Discoms, viz., Dakshinanchal Vidyut Vitran Nigam Ltd (Agra Discom or DVVNL), Madhyanchal Vidyut Vitran Nigam Ltd (Lucknow Discom or MVVNL), Paschimanchal Vidyut Vitran Nigam Ltd (Meerut Discom or PVVNL), Purvanchal Vidyut Vitran Nigam Ltd (Varanasi Discom or PuVVNL) and Kanpur Electricity Supply Company Ltd (Kanpur Discom or KESCO). These five Discoms are wholly owned subsidiaries of UPPCL.

### KEY FINANCIAL INDICATORS - ISSUER: Standalone

Key Parameters	Unit	FY22 (A)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Total Operating Income	Rs. Crs.	55152.13	68653.93	73892.75	22781.14
EBITDA	Rs. Crs.	-196.95	-211.08	-641.65	-30.43
PAT	Rs. Crs.	-8305.27	-14572.24	-6127.54	-6155.08
TNW	Rs. Crs.	31068.08	25220.12	32430.01	NA
Total Borrowings	Rs. Crs.	71045.95	69016.33	59641.99	NA
D:E	Times	2.29	2.74	1.84	NA

**Note:** All figures and ratios have been adjusted as per BWR standards. Reversal of provisions for doubtful debt against trade receivables from subsidiaries of Rs. 1409.46 Crs. in FY24 has been considered as part of non-operating income. If this is considered as part of operating income, the EBITDA for FY24 would be Rs. 767.81 Crs.

**A** = Audited; **UA** = Unaudited; **NA** = Not Available.

### FINANCIAL PERFORMANCE OF GoUP

Uttar Pradesh (UP) is one of the largest Indian states in terms of the Gross State Domestic Product (GSDP). The state, which has been consistently reporting healthy revenue surpluses for the past 14 years, reported a revenue deficit in FY21 on account of continued high expenditure despite the fall in revenue on account of the disruptions caused by the Covid-19 pandemic. UP state improved its revenue surplus to ~Rs. 70,447 Crs. in FY24 (RE) compared to a revenue surplus of ~Rs. 37,263 Crs. in FY23. The fiscal deficit widened from Rs. 64,636 Crs. in FY23 to Rs. 82,515 Crs. in FY24 (RE). Similarly, the primary deficit widened from Rs. 21,628 Crs. in FY23 to ~Rs. 33,198 Crs. in FY24 (RE). (RE = Revised Estimates)

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY):** No non-cooperation with any credit rating agency.

### RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

Instrument	Current Rating (Sep 2024)			Rating History					
	Tenure	Amount (Rs. Cr)	Rating	2023		2022		2021	
				Date	Rating	Date	Rating	Date	Rating
UPPCL Bonds Series III & IV 2016-17	Long Term	3928.38	BWR AA (CE)/ Stable Reaffirmation	25 Sep 2023	BWR AA (CE)/ Stable Reaffirmation	24 Aug 2022	BWR AA (CE)/ Stable Reaffirmation	06 May 2021	BWR AA (CE)/ Stable Reaffirmation
UPPCL Bonds Series I & II 2017-18		3980.90	BWR AA- (CE)/ Stable Reaffirmation	25 Sep 2023	BWR AA (CE)/ Stable Reaffirmation	24 Aug 2022	BWR AA- (CE)/ Stable Reaffirmation	06 May 2021	BWR AA- (CE)/ Stable Reaffirmation
<b>Total</b>		<b>7909.28</b>	<b>Rs Seven Thousand Nine Hundred &amp; Nine Crores and Twenty Eight Lakhs Only</b>						

### Hyperlink/Reference To Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Power Distribution Utilities](#)
- [Credit Enhancement](#)
- [Rating Based on Government Support](#)

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**UP POWER CORPORATION LIMITED**  
**ANNEXURE I**  
**Details of Bank Loan Facilities rated by BWR**

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)	Complexity of the Instrument*
		Nil	Nil	Nil	Nil	NA
		TOTAL	Nil	Nil	Nil	
	Total Nil					

\*For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**ANNEXURE II**  
**Instrument Details**

Instrument	Issue Date	Amount (Rs. Crs.)	Coupon Rate	Maturity Date	ISIN Particulars	Complexity of the Instrument*
UPPCL Bonds Series III 2016-17	17 Feb 2017	0.00	8.97%	15 Feb 2021	INE540P07046	Complex
	17 Feb 2017	0.00	8.97%	15 Feb 2022	INE540P07053	Complex
	17 Feb 2017	0.00	8.97%	15 Feb 2023	INE540P07061	Complex
	17 Feb 2017	0.00	8.97%	15 Feb 2024	INE540P07079	Complex
	17 Feb 2017	697.50	8.97%	14 Feb 2025	INE540P07087	Complex
	17 Feb 2017	930.00	8.97%	13 Feb 2026	INE540P07095	Complex
	17 Feb 2017	930.00	8.97%	15 Feb 2027	INE540P07103	Complex
UPPCL Bonds Series IV 2016-17	27 Mar 2017	0.00	8.48%	15 Mar 2021	INE540P07129	Complex
	27 Mar 2017	0.00	8.48%	15 Mar 2022	INE540P07111	Complex
	27 Mar 2017	0.00	8.48%	15 Mar 2023	INE540P07137	Complex
	27 Mar 2017	0.00	8.48%	15 Mar 2024	INE540P07145	Complex
	27 Mar 2017	373.88	8.48%	14 Mar 2025	INE540P07152	Complex
	27 Mar 2017	498.50	8.48%	13 Mar 2026	INE540P07160	Complex
	27 Mar 2017	498.50	8.48%	15 Mar 2027	INE540P07178	Complex
UPPCL Bonds Series I 2017-18	05 Dec 2017	0.00	9.75%	18 Oct 2019	INE540P07186	Complex
	05 Dec 2017	0.00	9.75%	20 Oct 2020	INE540P07194	Complex
	05 Dec 2017	0.00	9.75%	20 Oct 2021	INE540P07202	Complex
	05 Dec 2017	0.00	9.75%	20 Oct 2022	INE540P07210	Complex
	05 Dec 2017	0.00	9.75%	20 Oct 2023	INE540P07228	Complex
	05 Dec 2017	132.30	9.75%	18 Oct 2024	INE540P07236	Complex
	05 Dec 2017	529.20	9.75%	20 Oct 2025	INE540P07244	Complex

	05 Dec 2017	529.20	9.75%	20 Oct 2026	INE540P07251	Complex
	05 Dec 2017	529.20	9.75%	20 Oct 2027	INE540P07269	Complex
UPPCL Bonds Series II 2017-18	27 Mar 2018	0.00	10.15%	20 Jan 2020	INE540P07277	Complex
	27 Mar 2018	0.00	10.15%	20 Jan 2021	INE540P07285	Complex
	27 Mar 2018	0.00	10.15%	20 Jan 2022	INE540P07293	Complex
	27 Mar 2018	0.00	10.15%	20 Jan 2023	INE540P07301	Complex
	27 Mar 2018	0.00	10.15%	19 Jan 2024	INE540P07319	Complex
	27 Mar 2018	323.00	10.15%	20 Jan 2025	INE540P07327	Complex
	27 Mar 2018	646.00	10.15%	20 Jan 2026	INE540P07335	Complex
	27 Mar 2018	646.00	10.15%	20 Jan 2027	INE540P07343	Complex
	27 Mar 2018	646.00	10.15%	20 Jan 2028	INE540P07350	Complex
<b>Total</b>		<b>7909.28</b>	<b>Rupees Seven Thousand Nine Hundred and Nine Crores and Twenty Eight Lakhs Only</b>			

**Note:** Bonds' principal amounts are outstanding as of 31 Jul 2024. Bonds with zero outstanding amounts have been redeemed on or before their respective maturity dates. The rated bonds are listed on BSE.

\*For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### ANNEXURE III List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
Dakshinanchal Vidyut Vitran Nigam Ltd	100%	Full	Subsidiary
Madhyanchal Vidyut Vitran Nigam Ltd	100%	Full	Subsidiary
Paschimanchal Vidyut Vitran Nigam Ltd	100%	Full	Subsidiary
Purvanchal Vidyut Vitran Nigam Ltd	100%	Full	Subsidiary
Kanpur Electricity Supply Company Ltd	100%	Full	Subsidiary



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