



## Press Release

### Kerala State Electricity Board Limited

**July 25, 2025**

#### Ratings

| Instrument / Facility      | Amount (Rs. crore)                                                                                           | Current Ratings                                         | Previous Ratings                                        | Rating Action | Complexity Indicator   |
|----------------------------|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------|------------------------|
| Long Term Bank Facilities  | 75.00                                                                                                        | IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook) | -                                                       | Assigned      | <a href="#">Simple</a> |
| Long Term Bank Facilities  | 3611.76 (Enhanced from Rs. 3554.59 crore)                                                                    | IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook) | IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook) | Reaffirmed    | <a href="#">Simple</a> |
| Short Term Bank Facilities | 1785.00 (Reduced from Rs. 1850.00 crore)                                                                     | IVR A2 (IVR A Two)                                      | IVR A2 (IVR A Two)                                      | Reaffirmed    | <a href="#">Simple</a> |
| <b>Total</b>               | <b>5471.76</b><br><b>(Rupees Five thousand four hundred and seventy-one crore and seventy-six lakh only)</b> |                                                         |                                                         |               |                        |

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings has reaffirmed the long-term rating assigned to the bank facilities of Kerala State Electricity Board Limited (KSEBL). The ratings continue to factor in the strategic importance of KSEBL, ownership of Government of Kerala (GoK), status of being the sole integrated power utility of the state, satisfactory operating performance and cost-plus tariff structure. The ratings also continue to factor in the losses incurred and arrears of government bodies being taken over by GoK. The rating strengths, however, remain constrained by modest financial risk profile, large capital expenditure plans, pending recovery of regulatory assets, susceptibility to changes in regulatory framework and large unfunded pension liabilities.

The stable outlook reflects stable business risk profile being the sole power utility in the state with strategic importance to the government, having satisfactory operational performance and cost-plus tariff structure ensuring revenues and operating profitability.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained improvement in operating efficiency resulting in improvement in revenues and profitability of the company.
- Timely revision of tariffs and realization of regulatory assets improving cash flows and liquidity of the company.
- Sustained reduction in the debt levels improving debt protection metrics.

#### **Downward Factors**

- Significant delays in the issuance of tariff orders and/or inadequacy of the tariff approved, adversely impacting the profitability and cash flows.
- Sustained increase in the receivable position impacting liquidity and cash flows of the company.
- Substantial increase in term debt and/or disallowance of project cost by Kerala State Electricity Regulatory Commission (KSERC) impacting cash flows of the company.
- Sustained deterioration in operating efficiency impacting recovery of costs thus impacting cash flows of the company.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Strategically important and wholly owned by Government of Kerala**

KSEBL is a wholly owned undertaking of the Government of Kerala (GoK). It is a strategically important entity and forms the backbone of the power sector infrastructure for the state of Kerala. KSEBL acts as an arm of government in meeting its socio-economic objectives. GoK supports KSEBL by way of budgetary grants for capital expenditure. The board of KSEBL has nominees from GoK. Continued ownership and support of GoK is important for KSEBL from the credit rating perspective.

##### **Sole integrated power utility in the state**

KSEBL is the sole integrated power utility in the state of Kerala responsible for carrying out the business of generation, transmission, and distribution of electricity. KSEBL serves almost 99% of consumers in the state of Kerala. At present, the company caters to the needs of over 1.38 crore consumers spread over the urban and rural areas of the state. This monopoly position ensures a steady demand for the power supplied by it.



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### **Satisfactory operating performance and cost-plus tariff structure**

The Transmission & Distribution (T&D) losses have been following a declining trajectory in the last 3-4 years. KSEBL has also managed to achieve T&D losses better than the parameters prescribed by KSERC. The actual T&D loss was 9.70% as against KSERC approved 10.82% in FY24 (FY refers to the period April 01 to March 31). The Aggregate Technical & Commercial loss has improved from 7.55% in FY24 to 6.78% in FY25 (provisional). The billing efficiency and collection efficiency stood at 92.70% and 99.72% respectively in FY24 and at 93.22% and 100% respectively as per FY25 (provisional). The average collection days was 46 days in FY24 and has improved further to 34 days in FY25 (provisional). The cost-plus tariff regime with assured return ensures recovery of costs incurred and a return on equity. In the medium to long run, the cost-plus nature of the tariff setting process will allow the eventual recovery of all costs, notwithstanding the mismatches, which get addressed in the truing up process.

### **Losses incurred and arrears from government bodies taken over by GoK**

In FY25, the company reported revenue of Rs. 21329.48 crore as compared to Rs. 20441.75 crore in FY24. The company's net profit has improved to Rs. 623.49 crore in FY25 from Rs. 218.51 crore in FY24. The net profit in FY24 as against the net loss of Rs. 1023.62 crore in FY23 was due to exceptional gain of Rs. 752.52 crore in FY24 as loss of Rs. 767.72 crore was taken over by GoK. As per G.O. dated December 16, 2023, the 15th Finance Commission had recommended performance based additional borrowing space of 0.5% of GSDP to states linked to performance in the power sector. This special dispensation had been recommended for each year for a period of four years period from 2021-22 to 2024-25. Accordingly, GoK has taken over Rs.767.15 crore as compensation of loss incurred by KSEBL for FY22-23 to fulfil the conditions for the additional borrowing space of 0.50% of GSDP linked to performance in power sector.

Further, KSEBL has an amount of Rs. 2068.07 crore due from Kerala Water Authority towards electricity water charges arrears including surcharge at the reduced rate and had requested GoK for one time settlement. GoK, vide G.O. dated March 12, 2024, has agreed to take over the dues of Rs.2068 crores in 10 annual equal instalments of Rs.206.80 crores from FY24-25 onwards. In addition, as per G.O. order dated March 06, 2025, GoK has agreed to take over the statutory dues of Rs. 718.02 crore as on December 31, 2024, and the same are netted off against the electricity duty.

### **Key Rating Weaknesses**



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### **Modest financial risk profile**

KSEBL's financial risk profile is marked by high debt levels, negative tangible net worth due to accumulated losses. The company reported a negative tangible net worth of Rs. 33654.50 crore as on March 31, 2025. Total debt to EBITDA has improved to 4.82 years as on March 31, 2025, from 7.24x as on March 31, 2024. Interest coverage improved to 2.05 times in FY25 against 1.05 times in FY24.

### **Large capital expenditure plans**

KSEBL's operations continue to be capital intensive, and it has a sizeable capital expenditure plan towards augmentation of infrastructure to meet the growth in demand, which will be funded through a mix of debt, equity, consumer contribution and capital grants. While the cost associated with the capital investments is considered for recovery under the cost-plus tariff principles, any delays in the implementation would increase the project cost, which is exposed to the risk of disallowance by the KSERC.

### **Pending recovery of regulatory assets**

The company has regulatory assets of Rs. 6408.34 crore as on 31st March 2024 and continue to be the same as on March 31, 2025. Realisation of the regulatory assets will improve the liquidity and cash flows of the company. KSEBL had earlier proposed annual recovery in the MYT petition for FY23-27, however the same is subject to approval from the regulatory commission.

### **Susceptibility to changes in regulatory framework**

KSEBL's revenues are determined by Kerala State Electricity Regulatory Commission. Timely issue of tariff orders, with adequate tariff revisions, recovery of regulatory assets is key monitorable. Infomerics believes that any adverse changes in the regulatory environment will impinge on the credit profile of the company.

### **Large unfunded pension liability**

State Government, as per notifications dated 31.10.2013 and 28.01.2015, ordered creation of a Master Trust for meeting the unfunded liability of pension, gratuity and leave surrender as on 31.10.2013, in respect of the personnel transferred from erstwhile KSEB to KSEBL. The total liability as on 31.10.2013 was estimated at Rs.12418.72 crores. KSEBL had converted the pension liabilities to 10-years and 20-year bonds as per the tripartite agreement executed between KSEBL, Master trust and the State Government of Kerala. The repayment of the KSEBL's share of bonds issued to Master Trust (Rs. 8144 crores) has commenced from 2017-18. As confirmed by the Kerala State Electricity Board Ltd Employees Master Pension and



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Gratuity Trust, KSEBL is paying the amount required for pension liability on time, and no pension liability is denied or delayed for the want of funds required from KSEBL. KSEBL had in MYT petition 2022-27 claimed interest on the bond issued by KSEBL along with principal repayment. KSERC allowing the same going forward remains a monitorable.

**Analytical Approach:** Standalone.

**Applicable Criteria:**

[Rating Methodology – Infrastructure Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

KSEBL is expected to generate adequate gross cash accruals for repayments in the projected period FY26 to FY28. The average fund based working capital utilisation levels are high at around 87% for 12 months ended May 2025 providing limited liquidity buffer. The company reported cash and bank balance of Rs.374.49 crore as on March 31, 2025.

### **About the Company**

Kerala State Electricity Board Limited is wholly owned by the Government of Kerala. KSEBL is the successor entity of Kerala State Electricity Board, which was constituted by the GoK, under the Electricity (Supply) Act, 1948, for carrying out the business of generation, transmission, and distribution. KSEBL was incorporated on January 14, 2011, and commenced operations as an independent company with effect from November 1, 2013. The company continues to function as an integrated electricity utility and carries out the business of generation, transmission and distribution of electricity and serves almost 99% of consumers in the state of Kerala. KSEBL has a total installed generation capacity of 4580.144 MW comprising hydro (50.78%), diesel (11.93%) and wind & solar (37.29%). It has a transmission and distribution network of 14428.72 circuit kilometres and 302626 circuit kilometres respectively. At present, KSEBL caters to 1.38 crore consumers spread over the urban and rural areas of the state.



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### Financials (Standalone):

(Rs. crore)

| For the year ended/ As on* | 31-03-2024     | 31-03-2025         |
|----------------------------|----------------|--------------------|
|                            | <b>Audited</b> | <b>Provisional</b> |
| Total Operating Income     | 20441.75       | 21329.48           |
| EBITDA                     | 2525.34        | 3654.35            |
| PAT                        | 218.51         | 623.49             |
| Total Debt                 | 18292.89       | 17620.23           |
| Tangible Net Worth         | -32611.00      | -33654.50          |
| EBITDA Margin (%)          | 12.35          | 17.13              |
| PAT Margin (%)             | 1.00           | 2.81               |
| Overall Gearing Ratio (x)  | -0.56          | -0.52              |
| Interest Coverage (x)      | 1.05           | 2.05               |

\* Classification as per Infomerics' standards.

### Status of non-cooperation with previous CRA:

Brickwork Ratings vide their press release dated April 16, 2025, has continued to maintain the rating of Kerala State Electricity Board Limited in the issuer non cooperating category as the issuer did not participate in the surveillance exercise.

**Any other information:** None.

### Rating History for last three years:

| Sr. No. | Name of Facilities | Current Ratings (Year 2025-26) |                                |                  | Rating History for the past 3 years                                         |                                         |                                         |
|---------|--------------------|--------------------------------|--------------------------------|------------------|-----------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
|         |                    | Type                           | Amount outstanding (Rs. crore) | Rating           | Date(s) & Rating(s) assigned in 2024-25                                     | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 |
|         |                    |                                |                                |                  | -                                                                           | May 15, 2023                            | -                                       |
| 1.      | Term Loan          | Long Term                      | 75.00                          | IVR BBB+/ Stable | -                                                                           | -                                       | -                                       |
| 2.      | Term Loan          | Long Term                      | 2451.76                        | IVR BBB+/ Stable | December 17, 2024<br>IVR BBB+/ Stable<br>April 02, 2024<br>IVR BBB+/ Stable | IVR BBB+/ Stable                        | -                                       |
| 3.      | Cash Credit        | Long Term                      | 200.00                         | IVR BBB+/ Stable | December 17, 2024<br>IVR BBB+/ Stable<br>April 02, 2024                     | IVR BBB+/ Stable                        | -                                       |



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| Sr. No. | Name of Facilities          | Current Ratings (Year 2025-26) |                                |                  | Rating History for the past 3 years                                         |                                         |                                         |
|---------|-----------------------------|--------------------------------|--------------------------------|------------------|-----------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
|         |                             | Type                           | Amount outstanding (Rs. crore) | Rating           | Date(s) & Rating(s) assigned in 2024-25                                     | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 |
|         |                             |                                |                                |                  | -                                                                           | May 15, 2023                            | -                                       |
|         |                             |                                |                                |                  | IVR BBB+/ Stable                                                            |                                         |                                         |
| 4.      | Working Capital Demand Loan | Long Term                      | 960.00                         | IVR BBB+/ Stable | December 17, 2024<br>IVR BBB+/ Stable<br>April 02, 2024<br>IVR BBB+/ Stable | IVR A2                                  | -                                       |
| 5.      | Inland Letter of Credit     | Short Term                     | 650.00                         | IVR A2           | December 17, 2024<br>IVR A2<br>April 02, 2024<br>IVR A2                     | IVR A2                                  | -                                       |
| 6.      | Overdraft                   | Short Term                     | 1135.00                        | IVR A2           | December 17, 2024<br>IVR A2<br>April 02, 2024<br>IVR A2                     | IVR A2                                  | -                                       |

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### About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) (formerly known as Infomerics Valuation and Rating Pvt Ltd) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit



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### Annexure 1: Instrument/Facility Details

| Name of Facility/<br>/Security | ISIN | Date of<br>Issuance | Coupon<br>Rate/ IRR | Maturity<br>Date | Size of<br>Facility<br>(Rs. crore) | Rating<br>Assigned/<br>Outlook |
|--------------------------------|------|---------------------|---------------------|------------------|------------------------------------|--------------------------------|
| Term Loan                      | -    | -                   | -                   | December<br>2029 | 427.28                             | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | November<br>2030 | 270.65                             | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | May 2032         | 345.71                             | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | June 2029        | 34.81                              | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | June 2031        | 276.32                             | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | August<br>2032   | 305.26                             | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | March 2033       | 71.05                              | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | February<br>2029 | 4.14                               | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | April 2029       | 65.24                              | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | July 2033        | 651.30                             | IVR BBB+/<br>Stable            |
| Term Loan                      | -    | -                   | -                   | November<br>2030 | 75.00                              | IVR BBB+/<br>Stable            |
| Cash Credit                    | -    | -                   | -                   | -                | 200.00                             | IVR BBB+/<br>Stable            |
| Working Capital<br>Demand Loan | -    | -                   | -                   | -                | 960.00                             | IVR BBB+/<br>Stable            |
| Inland Letter of<br>Credit     | -    | -                   | -                   | -                | 650.00                             | IVR A2                         |
| Overdraft                      | -    | -                   | -                   | -                | 1135.00                            | IVR A2                         |

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-KSEBL-jul25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



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**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

