

Grid Controller of India Limited

October 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	255.00 (Enhanced from 196.00)	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in the rating assigned to bank facilities of Grid Controller of India Limited (GRID-INDIA, formerly known as Power System Operation Corporation Limited) derives strength from its strategic position as the sole entity responsible for power scheduling and load despatch function through five Regional Load Despatch Centres (RLDC) and National Load Despatch Centre (NLDC). The rating derives strength from low sales risk considering contract with diversified beneficiaries across the country and power value chain. The rating also derives comfort from tariff being governed by a cost-plus mechanism laid down by the Central Electricity Regulatory Commission (CERC), ensuring stable return and cash flow. The rating also considers superior performance against key performance indicators (KPI) indicated by CERC, resulting in consistent incentive income. Comfortable financial risk profile characterised by healthy cash accrual, assured return on equity (RoE), comfortable interest cover and total debt to gross cash accruals (TD/GCA) adds strength to the rating. Full ownership of Government of India (GoI) in the company, GoI's adequate operational and other need-based financial support to GRID-INDIA are other credit positives.

CARE Ratings Limited (CARE Ratings) notes that the company will incur moderate capex for its corporate office, regional centre, and upgrading SCADA/IT systems in the near term, which may lead to some moderation in liquidity buffer. Although the capex to be incurred is to be allowed in subsequent orders by the regulator, significant dis-allowance of capex shall remain a key monitorable. The rating takes cognisance of weak credit profile of its customers, state-owned power distribution utilities, and few power generating entities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Significantly delaying receipt of payment from counterparties, leading to average collection period (excluding unbilled revenue) of more than 150 days.
- Adversely changing regulations regarding power systems and control operations.
- Significantly deteriorating free cash balance below ₹150 crore.
- Materially reducing sovereign ownership below 51%.

Analytical approach: Standalone

The rating also factors GRID-INDIA's strategic importance to GoI and its important role for the Indian power sector.

Outlook: Stable

The stable outlook of GRID-INDIA reflects its strategic position in power scheduling and load despatch function, low revenue risk, and steady collection from beneficiaries.

Detailed description of key rating drivers:

Key strengths

Majority ownership and strategic importance for GoI; pivotal role in the Indian power sector

From January 03, 2017, GRID-INDIA became a wholly owned GoI company. GoI continues to hold 100% shareholding in GRID-INDIA and is instrumental in appointing the board and the senior management and set its business plan. GoI's holding in GRID-INDIA further provides its financial flexibility in terms of access to capital.

Robust power operations and system maintenance infrastructure is critical in India, given the increasing renewable capacity, deepening short-term power market, and cross-border power exchange. GRID-INDIA also undertakes several ancillary policy functions such as Maintenance of Power System Development Fund (PSDF), implementation of Green Open Access Registry

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

(GOAR) and National Open Access Registry (NOAR), Registry for carbon credit trading scheme, RPO compliance, and implementing Renewable Energy Certificate (REC) Mechanism, among others, which underpins the company's importance for GoI.

CERC determined tariff providing revenue stability and assured returns

The company's revenue is governed by Central Electricity Regulatory Commission (CERC) regulations. These regulations are applicable for determining fees and charges to be collected by Regional Load Despatch Centres and National Load Despatch Centre from the generating companies, distribution licensees, inter-state transmission licensees, buyers, sellers, and inter-state trading licensees and other users, applicable for a control period of five years.

These regulations define the Annual LDC charges (ALC), which shall comprise the aggregate revenue requirement (ARR) for meeting the annual expenditure to be incurred by regional load despatch centres (RLDCs) and national load despatch centres (NLDC), as approved by the Commission. Annual charges consist of Return on equity (@15.50%), interest on loan capital, depreciation, operation and maintenance, other operating expenditure, human resource (HR) expenses including human resource development (HRD) expenses, NLDC and corporate office expenses and Interest on working capital.

Comfortable financial risk profile

GRID-INDIA's financial risk profile, as on FY24, is comfortable with no external debt obligation. However, the company plans to incur debt funded capex for buildings and office premise and upgrade SCADA/IT systems in the next five years. The company plans to raise a total debt of ~₹800 crore in next five years to meet capex requirement of ~₹1,600 crore. The capex to be incurred is expected to be allowed in subsequent orders for fees and charges by CERC.

The remaining portion of capex is envisaged to be funded through internal accruals and cash reserves available. The company has acquired a commercial building in New Delhi for a consideration of ~₹280 crore through e-auction. The acquisition was funded in debt equity mix of 70:30 with a debt of ₹196 crore. The company has availed ~₹139 crore of term loan as on August 31, 2024; from the sanctioned term loan of ₹196 crore. The company plans to avail additional debt of ~₹59 crore for upgradating and modifying the acquired commercial building.

Key weaknesses

Exposure to weak credit profile of entities in power value chain

GRID-INDIA's primary source of revenue is through power system operation services to Power Generating Companies (GENCOs), Power Transmission Companies (TRANSCOs) and Power Distribution Companies (DISCOMs). Charges determined by CERC are billed to GENCOs, TRANSCOs and DISCOMs in equal proportion. Hence, the company is exposed to weak credit profile of entities in power value chain, especially DISCOMs. However, payment for billed revenue has been timely for the company in the past.

Regulatory risk

Tariff for GRID-INDIA is governed through CERC fees and charges regulations. Hence, GRID-INDIA is exposed to changes in regulations. Significant dis-allowance and non-approval for cost incurred may affect the company's profitability.

Liquidity: Strong

The company has cash and bank balance of ~₹2,100 crore as on June 30, 2024, of which, ~₹1,800 crore pertains to deviation charges collected on behalf of Central Electricity Regulatory Commission (CERC) and cannot be utilised by the company. Although the company does not have working capital limits currently, the cash and bank balances have been at a strong level on a sustained basis.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

[Power- Transmission](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power - transmission

GRID-INDIA, a Category – I Miniratna, is a division of the Ministry of Power (MoP), GoI and is wholly owned by GoI. The primary function of GRID-INDIA is to monitor and ensure round-the-clock integrated operation of the Indian Power System. There are five RLDCs and NLDC operating under GRID-INDIA for scheduling, despatch and load management. Load despatch functions were earlier handled by Power Grid Corporation of India Limited (PGCIL) through a wholly owned subsidiary known as Power Operation Corporation Limited (POSOCO), now GRID-INDIA.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	375	426
PBILDT	73	84
PAT	58	81
Overall gearing (times)	0.01	0.01
Interest coverage (times)	1,105	1,022

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	19-12-2037	255.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT*	255.00	CARE AAA; Stable	1)CARE AAA; Stable (07-May-24)	-	-	-

*LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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