

Karnataka Power Transmission Corporation Limited

February 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	13,000.00	CARE A; Stable	Reaffirmed
Short-term bank facilities	3,775.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Karnataka Power Transmission Corporation Limited (KPTCL) consider its ownership by the Government of Karnataka (GoK) and its critical role as the sole transmission utility in Karnataka. GoK has also demonstrated support to KPTCL while releasing substantial payments on behalf of state electricity supply companies (ESCOMs). Therefore, CARE Ratings Limited (CARE Ratings) has factored linkages with GoK to arrive ratings of KPTCL. Ratings assigned to KPTCL continue to draw strength from its wide transmission network, high system availability, assured revenue visibility ensuring regulated returns, and a structured payment mechanism for obligations from ESCOMs. Ratings further benefit from conducive regulatory environment in the state, with timely tariff orders issued by the Karnataka Electricity Regulatory Commission (KERC). Ratings also acknowledge comfortable leverage and debt coverage indicators, stable collection efficiency of ~90% in FY23-FY24, attributed to substantial payments towards receivables from GoK on behalf of ESCOMs, reducing dependence on ESCOMs. Continued support from GoK for maintaining collection efficiency will remain a key rating monitorable.

However, rating strengths are tempered by the moderate credit profile of ESCOMs, which can dampen collection efficiency and increase reliance on debt. Risks associated with the implementation of ongoing projects, and inherent regulatory risk are other credit weakness.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit profile of ESCOMs, while maintaining healthy collection efficiency of above 100% on a sustained basis.
- Maintaining overall gearing level below 1.0x.

Negative factors

- Deterioration in credit profile of GoK.
- Deterioration in collection efficiency below 85% on a sustained basis.
- Significant disallowance in the expenditure plan impacting debt coverage ratios.

Analytical approach: Standalone, factoring linkages with GoK

KPTCL is the sole state power transmission entity owned by GoK. The company is receiving subsidy directly from GoK against transmission charges receivable from ESCOMs. These subsidies are budgeted by GoK and there is a demonstrated track record in respect of receipt of subsidies from the GoK. Hence, linkages with GoK are being factored in.

Outlook: Stable

The stable outlook on long-term rating reflects CARE Ratings' expectation that KPTCL will continue to benefit due to its regulated tariff structure, assured revenue visibility, and support from GoK.

Detailed description of key rating drivers:

Key strengths

Ownership of GoK

KPTCL is wholly owned by GoK, with bonds guaranteed by GoK for Karnataka State Financial Corporation (rated 'CARE AA-; Negative'). Operating as an independent unbundled entity since July 1999, KPTCL is professionally managed by a Board of Directors comprising 11 members, of which, three are from GoK. GoK has consistently infused equity into KPTCL until FY18. However, there was no equity infusion from FY19 to FY22. Subsequently, GoK infused ~₹60 crore in FY23 and ~₹23 crore in FY24.

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

Sole power transmission entity in the state with wide transmission network

KPTCL is responsible for transmission of power across Karnataka, operating under a license issued by the KERC. As on March 31, 2024, KPTCL owns and operates 42,990 circuit kilometres (ckm) of transmission lines and 1,384 substations (March 31, 2023: 41,913 ckm and 1,339, respectively). These substations cover different voltage grades from 400 Kilo Volt (kV) to 66 kV. In FY24, the total energy input to KPTCL's transmission system was 98,878 million units (Mus), with 95,945 MUs of energy transmitted.

High system availability of ~99% and low transmission losses

According to KERC norms, KPTCL was required to maintain system availability at 98% and transmission losses below 2.814% for FY24. The company has consistently exceeded these norms, maintaining system availability above 98% for several years. In FY24, system availability improved to 99.72% from 98.69% in FY23. Transmission losses remained stable at 2.97% in FY24 compared to 2.98% in FY23. Under multi-year tariff (MYT) regulations, transmission companies can retain portion of their earnings as incentive, subject to regulatory approval, if they exceed targeted system availability levels. Consequently, KPTCL received an incentive of ₹24.77 crore in FY24 for achieving better system availability of 99.19% in FY22.

Assured revenue visibility under the MYT model

CARE Ratings observes that KPTCL's transmission charges are regulated by tariff norms determined by the KERC, which ensure a fixed return on equity (RoE), recovery of operation and maintenance (O&M) expenses, interest costs, and depreciation. This framework guarantees full cost recovery on meeting normative system availability parameters and provides incentives for exceeding performance targets. Regardless of the electricity consumed by a beneficiary in a given month, ESCOMs are obligated to pay fixed tariff to KPTCL. In FY24, based on its true-up petition for FY23 financials, KERC has largely approved revenue gap for KPTCL. Historically, KERC has issued timely orders for tariff fixation for the financial year by May.

Comfortable leverage and debt coverage indicators

The company consistently incurs capital expenditures (capex) to enhance its transmission network. These annual capex investments are financed with a debt-to-equity ratio of 70:30. Despite the substantial debt-funded capex undertaken each year, total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) coverage remained stable at 4.34x for FY24 and 4.15x for FY23. This stability is primarily due to pass-through of incurred costs via approved tariff orders from KERC. The interest coverage ratio remains at a comfortable level of 3.58x for FY24, though it has slightly moderated from 4.17x due to an increase in short-term borrowings to meet working capital requirements. Overall gearing remains comfortable at 1.79x for FY24 compared to 1.62x for FY23. According to management, the company does not anticipate exceeding an overall gearing ratio of 2x on a sustained basis.

Improvement in collection efficiency led by support from GoK

KPTCL has established an agreement with ESCOMs to maintain a specified escrow account for fulfilling payment obligations towards transmission charges. KPTCL's collection efficiency improved from 80.93% in FY22 to 90.09% in FY23 and 88.8% in FY24, primarily due to substantial proportion of payments released by GoK directly to KPTCL on behalf of the ESCOMs in FY23 and FY24. In FY24, payments from GoK constituted 38% of KPTCL's total collections, which further increased to 62% in 10MFY25. Starting FY23, GoK adjusted the transmission charges payable by ESCOMs to KPTCL against the subsidies payable by GoK to ESCOMs of Karnataka. However, KPTCL's collection efficiency reduced to 83% in 10MFY25. As articulated by the management, KPTCL expects remaining receivables to be realised in the Q4FY25 following GoK's budget allocation through subsidies, resulting in an estimated collection efficiency in the rangebound of 85%-90% for FY25. Going forward, continued support from GoK in terms of timely release of subsidies to KPTCL and its impact on the collection efficiency will be a key rating monitorable.

KPTCL utilises short-term borrowings to address collection shortfalls and fund its operations. Except for BESCO and Mangalore Electricity Supply Company Limited (MESCOM), no other ESCOM has issued letter of credit (LC) as a payment security mechanism in favour of KPTCL. Due to regular payments from other ESCOMs, KPTCL has not demanded advance payments in the absence of such LCs.

Key weaknesses

Moderate credit profile of ESCOMs

The company collects transmission charges from five independent ESCOMs: Bangalore Electricity Supply Company Limited (BESCO; rated CARE BBB; Negative/ CARE A3), Chamundeshwari Electricity Supply Corporation Limited (CESCOM), Gulbarga Electricity Supply Company Limited (GESCOM), Hubli Electricity Supply Company (HESCO) and Mangalore Electricity Supply Company Limited (MESCOM). Credit profile of these ESCOMs continue to remain moderate due to increasing debt levels due to elevated levels of receivables. This has resulted in increase in short-term working capital demand loans to fund KPTCL's receivables in the last three years ending FY24.

Project implementation risk

KPTCL is currently undertaking several transmission projects across stages of implementation, involving installation of substations and establishment of transmission lines. In FY24, KPTCL incurred a capex of ₹ 3,657 crore. Of the total capex, 70% is funded through debt, with remaining 30% financed through internal accruals. KERC has approved an annual capex of ₹2,500 for FY23 to FY25. As of January 28, 2025, KPTCL has incurred capex of ₹2,851 crore. Disallowance of capex including cost overruns by KERC, impacting debt coverage ratios is a key credit monitorable.

Liquidity: Adequate

The company's liquidity remained adequate with ₹48.78 crore of free cash as on September 30, 2024. KPTCL's liquidity is also supported by timely issuance of tariff orders by KERC to adjust higher expenses incurred by it in subsequent years.

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](#)

[Short Term Instruments](#)

[Power- Transmission](#)

About the company and industry

Industry classification

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

Incorporated on July 28, 1999, KPTCL is wholly owned by GoK. KPTCL was formed by carving out transmission and distribution functions of erstwhile Karnataka Electricity Board (KEB). In the second round of unbundling in 2002, KPTCL retained transmission and bulk power purchase functions, while the distribution function was handed over to five newly formed ESCOMS. Subsequently, per provisions of the Electricity Act, 2003, KPTCL was divested of its bulk-supply business on June 09, 2005, as the act bars the transmission licensee from trading of electricity. All power purchase agreements (PPAs) entered with KPTCL by central power utilities, state utilities, and private generators, were transferred to the five independent ESCOMS, BESCOM, CESC, GESCOM, HESCOM, and MESCOM. These companies are in charge of distribution of power within their jurisdiction. KPTCL is now vested with the responsibility of transmitting power all over the state, construction and maintenance of stations and lines of 66 kV and above, and being a state load dispatch centre (SLDC) in Karnataka.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	4,932.28	5,590.72
PBILDT	2,683.60	3,173.18
PAT	585.14	794.70
Overall gearing (times)	1.62	1.79
Interest coverage (times)	4.17	3.58

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 - ST-Term loan		-	-	-	3775.00	CARE A2+
Term Loan-Long Term		-	-	December 31, 2037	13000.00	CARE A; 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	Term Loan-Long Term	LT	13000.00	CARE A; Stable	-	1)CARE A; Stable (29-Dec-23)	1)CARE A; Stable (28-Mar-23) 2)CARE A; Stable (28-Mar-23)	1)CARE A; Stable (17-Mar-22)
2	Fund-based - ST-Term loan	ST	3775.00	CARE A2+	-	1)CARE A2+ (29-Dec-23)	1)CARE A2+ (28-Mar-23) 2)CARE A2+ (28-Mar-23)	1)CARE A2+ (17-Mar-22)

LT: Long term; ST: Short 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 - ST-Term loan	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender detailsTo 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.

Contact Us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Analytical Contacts Maulesh Desai Director CARE Ratings Limited Phone: +91-79-4026 5605 E-mail: maulesh.desai@careedge.in Prasanna Krishnan Lakshmi Kumar Associate Director CARE Ratings Limited Phone: +91-120-445 2014 E-mail: prasanna.krishnan@careedge.in Garima Gandhi Lead Analyst CARE Ratings Limited E-mail: Garima.gandhi@careedge.in
---	--

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**