

## Maharashtra State Electricity Transmission Company Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	190.00	CARE A+; Stable	Assigned
Long-term bank facilities	3,228.75 (Reduced from 3,989.00)	CARE A+; Stable	Reaffirmed
Short-term bank facilities	300.00 (Reduced from 600.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Maharashtra State Electricity Transmission Company Limited (MSETCL) continues to derive strength from MSETCL's wide transmission network, operated at sustained high-system availability, long-term revenue visibility, and operation in a cost-plus return on equity (RoE) regulatory model that assures stable cash flows. Ratings also take cognisance of higher aggregate revenue requirement (ARR) assessment for FY24 (refers to April 01 to March 31) and FY25 by Maharashtra Electricity Regulatory Commission (MERC) and healthy collection efficiency of 115% in FY24, improved from 88% in FY23, leading to improved cashflows. Healthy financial risk profile characterised by comfortable leverage and satisfactory debt coverage indicators continues to remain a credit positive. Ratings also take cognisance of Government of Maharashtra's (GoM's) complete ownership in MSETCL through a holding company and its strategic importance for the state in terms of power transmission.

However, the rating strengths continue to be tempered by counterparty risk, characterised by high concentration and moderate credit profile of MSETCL's prime beneficiary namely Maharashtra State Electricity Distribution Company Limited (MSEDCL) and elevated, though improving, average collection period. Ratings also take note of the highly capital-intensive business operations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant improvement in credit profile of counterparties improving average collection period and leverage.

#### Negative factors

- Operating parameters being materially lower-than-normative level, leading to weaker cash accruals.
- Unfavourable regulatory change, impacting cash flows.
- Deteriorating credit profile of counterparties, leading to stretch in receivables and adversely impacting MSETCL's liquidity or leading to increase in gross debt/profit before interest, lease rentals, depreciation and taxation (PBILDT) above 3.0x.

**Analytical approach:** Standalone

#### Outlook: Stable

MSETCL is likely to benefit due to its regulated tariff structure, assured revenue visibility and high system availability in the medium term. Its outlook is also characterised by its financial risk profile, which is expected to remain comfortable, characterised by healthy cash flows and comfortable level of debt.

### Detailed description of key rating drivers:

#### Key strengths

##### Improved cash flow from tariff revision and timely collection

MERC, vide its order dated March 31, 2023, had assessed ARR of ₹6,480 crore in FY24 and ₹6,483 crore in FY25. This has led to increased revenue for the company in FY24 and 9MFY25. Moreover, dues collection from beneficiaries also improved from 88% in FY23 to 115% in FY24 and 119% in 11MFY25 primarily due to improved collections from MSEDCL led by implementation of the Late Payment Surcharge (LPS) scheme. This led to improved liquidity buffer of the company, reducing net debt levels.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Large geographical presence

MSETCL owns and operates Maharashtra's state power transmission system. As on March 31, 2024, the company owned and operated a transmission network of 51,862 circuit km of electrical transmission lines and 742 extra high voltage (EHV) substations with 138,598 megavolt amperes (MVA) transformation capacities.

### Regulated power transmission business with long-term revenue visibility

The company operates under MERC framework, which approves revenue to be earned by the company. MSETCL has assured revenue under the multi-year tariff (MYT) model. Under MYT regulations, MSETCL files application with MERC, indicating ARR depending on expected cost of transmission and a required pre-tax RoE of 16.96%.

Under the MYT framework, returns, individual costs trajectory and revenue elements of the utility are determined in advance for five years (currently for fourth control period, FY21 [refers to April 01 to March 31] to FY25), enabling the utility to plan its business for the control period.

### Continued stable operational performance

For its high voltage alternating current (HVAC) lines, MSETCL maintained system availability at above 99% (higher than the normative level of 98%) in FY24 and 9MFY25. For its high-voltage direct current (HVDC) lines also, the system availability remained above the normative level of 95% in FY24 and 9MFY25. Transmission losses stood at 3.21% in FY24, superior to the normative level.

### Comfortable financial risk profile of the company

The company's financial risk profile is characterised by its improved overall gearing in FY24, which stood at 0.26x (PY: 0.34x), considering debt repayment in the year. The total debt (TD)/PBILDT and interest cover also stand improved to 1.10x (PY: 1.91x) and 10.67x (PY: 6.54x), respectively. MSETCL will be incurring sizeable debt-funded capex going forward, the equity contribution for which is envisaged to be comfortably funded from internal accruals of the company. The projected debt service coverage ratio is expected to remain comfortable.

### Ownership of the GoM

MSETCL is wholly owned by Maharashtra State Electricity Holding Company Limited (MSEB Holding Company Limited), which is a GoM-owned entity. MSETCL has been operating as an independent unbundled entity for 19 years since June 2005. It is a professionally managed corporation with board representation from directors appointed by the holding entity.

### Key weaknesses

#### Counterparty risk

MSETCL continues to derive ~86% of the total revenue from MSEDCL, and the balance from other distribution companies. With revenue concentration, the company continues to be exposed to high counterparty risk. MSEDCL's operational risk profile is weak characterised by high aggregate technical and commercial losses and ACS-ARR gap, impacting its financial risk profile. Average collection period for MSETCL, though improved, stood elevated at 182 days in FY24 (PY: 255 days). CARE Ratings observes, with continued healthy collection efficiency of 119% in 11MFY25, the collection period is expected to improve going forward.

### Highly capital-intensive business operations

The company will have to incur regular operational capex to maintain operational efficiencies. As a result, term borrowings may impact its overall financial risk profile.

### Liquidity: Adequate

There is adequate headroom in the projected GCA less internal accruals for capex against repayment obligation for FY25 and FY26. The free cash and cash equivalents (including unencumbered fixed deposits) stood at ₹2,899 crore as on March 31, 2024. Utilisation of MSETCL's fund-based working capital lines remained largely un-utilised in the past 12 months, providing additional comfort.

### Assumptions/Covenants: Not applicable

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

### Applicable criteria

[Definition of Default](#)

[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

MSETCL was incorporated in June 2005 after unbundling the erstwhile Maharashtra State Electricity Board. The transfer scheme was approved by the Maharashtra Government on March 31, 2016. The company is notified as the state transmission utility (STU) under the Electricity Act, 2003. It is primarily engaged in planning, implementing, and O&M of intra-state transmission systems (ISTS). MSETCL is one of the leading power transmission companies in India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	4,918.70	6,570.43
PBILDT	2,529.67	3,739.30
PAT	1,036.68	1,776.46
Overall gearing (times)	0.34	0.26
Interest coverage (times)	6.54	10.67

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-Bank Overdraft		-	-	-	190.00	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	December 2026	3228.75	CARE A+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	300.00	CARE A1+

**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	3228.75	CARE A+; Stable	-	1)CARE A+; Stable (05-Mar-24)	1)CARE A; Stable (20-Dec-22)	1)CARE A; Stable (05-Oct-21) 2)CARE A; Stable (29-Jul-21)
2	Fund-based - ST-Bank Overdraft	ST	300.00	CARE A1+	-	1)CARE A1+ (05-Mar-24)	1)CARE A1 (20-Dec-22)	1)CARE A1 (05-Oct-21) 2)CARE A1 (29-Jul-21)
3	Fund-based - LT-Bank Overdraft	LT	190.00	CARE A+; Stable				

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 - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	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](mailto:care@careedge.in) for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>  <b>Relationship Contact</b>  Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: 912267543404 E-mail: <a href="mailto:saiikat.roy@careedge.in">saiikat.roy@careedge.in</a>	<b>Analytical Contacts</b>  Maulesh Desai Director <b>CARE Ratings Limited</b> Phone: +91-79-40265605 E-mail: <a href="mailto:maulesh.desai@careedge.in">maulesh.desai@careedge.in</a>  Prasanna Krishnan Lakshmi Kumar Associate Director <b>CARE Ratings Limited</b> Phone: 91-120-4452014 E-mail: <a href="mailto:prasanna.krishnan@careedge.in">prasanna.krishnan@careedge.in</a>  Garima Gandhi Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Garima.gandhi@careedge.in">Garima.gandhi@careedge.in</a>
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### About us:

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