Power Grid Corporation of India Limited (Revised)

April 28, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	46,230.00 (Enhanced from 45,954.00)	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	2,700.00	CARE AAA; Stable / CARE A1+ (Triple A; Outlook: Stable/ A One Plus)	Reaffirmed
Total Bank Facilities	**48,930.00 (Rs. Forty-Eight Thousand Nine Hundred Thirty Crore Only)**		
Long-term Borrowing Programme for FY22	10,000.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Assigned

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities and rating assigned to the long-term borrowing programme for FY22 of Power Grid Corporation of India Limited (PGCIL) continues to derive strength from the majority ownership of the Government of India (GoI) in PGCIL, the company's pivotal role in the Indian power transmission sector and its low-risk business having a cost-plus-tariff structure for majority of its projects. The ratings also take into account PGCIL's high operating efficiency, growing income and cash accruals, strong project execution skills, its comfortable financial risk profile and strong liquidity position. The rating, however, takes cognizance of the weak credit profile of its customers viz. state-owned power distribution utilities and new projects to be awarded largely through tariff based competitive bidding except few on nomination basis, though the proportion of TBCB projects viz a viz total portfolio of PGCIL is likely to remain low in the medium term.

Rating Sensitivities

Negative Factors

- Significant delay in the receipt of payments from counter parties.
- Any adverse change in the regulatory environment of power transmission sector.

Detailed description of the key rating drivers

Key Rating Strengths

Majority ownership and support of GoI; pivotal role in the Indian power sector

The GoI continues to be a major shareholder in the company with 51.34% shareholding as on March 31, 2021 and has provided regular support in the form of guarantees to PGCIL for availing of some of the loans from multilateral agencies from time-to-time. Although, with the introduction of tariff-based bidding, a few private players have entered the power transmission segment, PGCIL continues to maintain its leadership position and play a significant role in the India power sector. Also, the transmission projects of strategic importance continue to be assigned by GoI to PGCIL on a cost-plus mechanism.

Favourable regulatory framework having a cost-plus-tariff structure

PGCIL's charges for transmission customers are governed by tariff norms determined by the Central Electricity Regulatory Commission (CERC). Although tariff based competitive biddings (TBCB) for inter-state transmission services have been

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

introduced from January 2011, a majority of PGCIL's project portfolio would continue to derive revenue based on the cost-plus-tariff structure. Besides, the company has been able to secure twenty transmission projects based on TBCB, of which eight projects have become operational, while the balance projects are under progress and expected to be commissioned by September-2022.

High operating efficiency and strong execution skills

Despite the extensive network under its management, PGCIL has been able to maintain system availability at more than 99% (above normative availability), which enables the company to earn incentive income consistently. During FY20 (refers to period April 01 to March 31), transmission system availability of 99.82% (PY: 99.71%) was achieved for the transmission network. Also, the number of trippings per line was contained at 0.39 times in FY20 (0.46 times in FY19). The healthy operating performance continues during 9MFY21 (Provisional; refers to period April 01 to December 31) with system availability of 99.80% and number of trippings per line at 0.30 times.

During FY20, the company has capitalized assets of Rs. 15,303 crore (Rs. 25,869 crore in FY19), adding about 4,925 ckm transmission lines, 3 new sub-stations and 37,987 MVA transformation capacity in the transmission system. Besides, the company has made capital expenditure of Rs. 15,313 crore in FY20 as against target of Rs. 15,000 crore. Furthermore, during 9MFY21 (Provisional), the company has capitalized the assets of Rs. 12,574 crore adding about 5,396 ckm of transmission lines and 15,031 MVA of transformation capacity.

Consistent increase in revenue and profit

PGCIL has been showing consistent increase in scale of operations with capitalization of transmission assets to the gross block. During FY20, PGCIL's total operating income on standalone basis grew by 7.96%, PBILDT by 9.58% and GCA by 11.86%, primarily on account of high operating efficiency and increase in transmission assets. About 91% of the PGCIL's revenue was contributed from the transmission segment while the remaining was from the telecom and consultancy segment. The PBILDT and PAT margin of the company stood comfortable at 87.52% and 28.21% respectively, on account of cost-plus tariff structure as laid down by CERC, high operating efficiency leading to earning incentives and low level of operating expenses due to the nature of business.

During 9MFY21, the company has reported total operating income of Rs. 29,822 crore with PAT of Rs. 8,420 crore. Also, PBILDT and PAT margin of the company stood at 88.55% and 28.24% during 9MFY21.

Comfortable financial risk profile

PGCIL has a comfortable financial risk profile characterized by a healthy net worth base and financial flexibility, given its status as the largest transmission utility of India, substantially owned by GoI. The overall gearing of the company stood at 2.35 times as on March 31, 2020, which was an improvement from 2.54 times as on March 31, 2019. The improvement is largely attributable to lower addition of long-term debt due to reduced intensity of capital expenditure plans coupled with accretion of profits to net worth and scheduled repayment of long-term debt. Although the company maintains a moderate gearing driven by its annual capex plans and long gestation period of the projects, its debt coverage indicators stood comfortable as observed in an interest coverage of 3.42x in FY20 (PY: 3.37x) and a total debt-to-GCA of 6.89x as on March 31, 2020 (PY: 7.60x).

Key Rating Weaknesses

Weak credit profile of state-owned utilities

The timely collection of dues from various state-owned utilities continues to be a challenge given the weak credit profile of those entities, though all the receivables are covered by letters of credit and average collection period has been 38-47 days for last four years. However due to covid-19 pandemic, the receivables of the company had increased to Rs. 8,243 crore as on June

30, 2020 which has reduced to Rs. 6,003 crore as on December 31, 2020 leading to receivable days of 64 days. Notably, in order to aid the liquidity position of distribution companies (DISCOMs) amid the ongoing COVID-19 pandemic, the GoI had announced relief package of Rs. 90,000 crore for DISCOMs wherein PFC and REC had been directed to infuse liquidity by way of loan against outstanding dues of DISCOMs which are backed by state government guarantee. The relief package has eased the liquidity position of the DISCOMs leading to liquidation of their over-dues.

Liquidity:

The company has a strong liquidity profile marked by healthy cash generation vis-à-vis its scheduled debt repayments, combined with the cushion available in the working capital limits to match the fund flow mismatches, if any. Besides, the company has tied up debt for meeting the funding requirement of its capex plans. The liquidity profile of the company is also supported by unencumbered cash and bank balance of Rs. 324 crore and collection efficiency of 95.71% as on December 31, 2020. Also, the company has not availed the moratorium as per RBI scheme under covid-19 regulatory package.

Analytical approach: Standalone. Further, the rating factors in PGCIL's strategic importance for Indian power sector and to the Government of India (GOI).

Applicable Criteria

Criteria on assigning Outlook and Credit Watch to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology – Power Transmission Projects
Financial Ratios – Non-financial Sector
Short Term Instruments
Rating Methodology: Notching by Factoring Linkages with Government
Liquidity Analysis of Non-financial Sector Entities

About the Company

PGCIL (CIN L40101DL1989GOI038121), incorporated in October 1989, is the Central Transmission Utility (CTU) of the country. The company is engaged in power transmission business with the responsibility for planning, implementation, operation and maintenance of the high-voltage transmission system. It owns and operates most of India's inter-regional and inter-state power transmission system (ISTS) with transmission network of 1,68,140 ckm, 253 extra high voltage alternating current (EHVAC) and high voltage direct current (HVDC) substations with greater than 4,25,000 mega volt ampere (MVA) transformation capacity as on December 31, 2020. Besides, the company has around 67,000 km of fibre optic network as on March 31, 2020. PGCIL has also been notified as a Maharatna company by the GoI.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	35,493	38,077
PBILDT	30,603	33,267
PAT	9,939	10,811
Overall gearing (times)	2.54	2.35
Interest coverage (times)	3.37	3.39

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ ST-BG/LC	-	-	-	2700.00	CARE AAA; Stable / CARE A1+
Fund-based - LT-Cash Credit	-	-	-	3000.00	CARE AAA; Stable
Fund-based - LT-Line of Credit	-	-	September-2032	8000.00	CARE AAA; Stable
Fund-based - LT-Term Loan	-	-	October-2028	10230.00	CARE AAA; Stable
Fund-based - LT-Term Loan	-	-	December-2035	25000.00	CARE AAA; Stable
Bonds (Proposed)	-	-	-	10000.00	CARE AAA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Borrowings-Secured Long Term Borrowings	LT	1232.50	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
2.	Bonds-Secured Reedemable Bonds	LT	426.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
3.	Borrowings-Secured Long Term Borrowings	LT	2256.25	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
4.	Borrowings-Secured Long Term Borrowings	LT	3183.75	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
5.	Non-fund-based - LT/ ST-BG/LC	LT/ST	2700.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (06-Jul-20)	1)CARE AAA; Stable / CARE A1+ (12-Aug-19) 2)CARE AAA; Stable / CARE A1+ (25-Jun-19)	1)CARE AAA; Stable / CARE A1+ (20-Sep-18)
6.	Fund-based - LT-Cash Credit	LT	3000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (12-Aug-19) 2)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
7.	Borrowings-Secured Long Term Borrowings	LT	7063.50	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
8.	Borrowings-Market Borrowing Programme	LT	6216.88	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)

9.	Borrowings-Market Borrowing Programme	LT	6227.40	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
10.	Borrowings-Market Borrowing Programme	LT	7913.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
11.	Borrowings-Market Borrowing Programme	LT	6588.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
12.	Borrowings-Market Borrowing Programme	LT	13148.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
13.	Short Term Instruments-Short Term Borrowing	ST	9000.00	CARE A1+	-	1)CARE A1+ (06-Jul-20)	1)CARE A1+ (01-Nov-19) 2)CARE A1+ (25-Jun-19)	1)CARE A1+ (20-Sep-18) 2)CARE A1+ (05-Apr-18)
14.	Fund-based - LT-Line of Credit	LT	8000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
15.	Borrowings-Market Borrowing Programme	LT	9130.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
16.	Fund-based - LT-Term Loan	LT	10230.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18)
17.	Commercial Paper-Commercial Paper (Standalone)	ST	9000.00	CARE A1+	-	1)CARE A1+ (06-Jul-20)	1)CARE A1+ (01-Nov-19) 2)CARE A1+ (25-Jun-19) 3)CARE A1+ (17-May-19)	1)CARE A1+ (20-Sep-18) 2)CARE A1+ (05-Apr-18)
18.	Borrowings-Market Borrowing Programme	LT	5487.50	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18) 2)CARE AAA; Stable (05-Apr-18)
19.	Fund-based - LT-Term Loan	LT	25000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19)	1)CARE AAA; Stable (11-Mar-19) 2)CARE AAA; Stable (20-Sep-18) 3)CARE AAA; Stable (05-Apr-18)
20.	Bonds	LT	5020.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (25-Jun-19) 2)CARE AAA; Stable (22-May-19)	-

21.	Bonds	LT	10000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (06-Jul-20) 2)CARE AAA; Stable (07-Apr-20)	-	-
22.	Bonds	LT	10000.00	CARE AAA; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: N.A.

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Bonds	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Line of Credit	Simple
4.	Fund-based - LT-Term Loan	Simple
5.	Non-fund-based - LT/ ST-BG/LC	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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