# Power Grid Corporation of India Limited

May 17, 2019

**Ratings**

| Instrument | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Commercial Paper (CP) issue | 3,900 (enhanced from 3,000) | **CARE A1+ (A One Plus)** | **Reaffirmed** |
| **Total** | **3,900 (Rupees Three Thousand Nine Hundred Crore Only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The reaffirmation of the rating assigned to the commercial paper issue of Power Grid Corporation of India Limited (PGCIL) continue to derive strength from the ownership and continued support of the Government of India (GoI), PGCIL's pivotal role in the Indian power transmission sector, low risk business having cost-plus-tariff structure for majority of the projects, high operating efficiency, strong project execution skills, comfortable financial risk profile marked by consistent increase in the operating income, net profit and cash accruals over the years and healthy profitability margins.

Going forward, sustaining the timely collection of dues from its customers (state-owned power utilities) having relatively weak credit risk profile, successfully managing the large capital expenditure plans and its funding structure would be the key rating sensitivities.

**Detailed description of the key rating drivers**

**Key Rating Strengths**

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

The GoI continues to be a major shareholder in the company with 56.34% shareholding as on December 31, 2018, and has continuously provided support in the form of guarantees for availing some of the loans from multilateral agencies from time-to-time. Although with the introduction of tariff-based bidding, few private players have entered the power transmission segment, PGCIL continues to maintain its leadership position with a large gap.

***Favorable 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). Though from January 2011, Tariff Based Competitive Biddings (TBCB) for inter-State Transmission services has been introduced, PGCIL's majority of the project portfolio would continue to derive revenue based on the cost-plus-tariff structure. Also, the company has been able to secure some of the transmission projects based on TBCB, of which projects under Powergrid Warora Trans. Ltd and Powergrid Parli Trans. Ltd have already become operational during FY18 (refers to the period April 1 to March 31).

***High operating efficiency and strong execution skills***

Despite the vast network under management, PGCIL has been able to maintain system availability at more than 99%, which enables the company to earn incentive income consistently.

During FY18, transmission system availability of 99.81% (99.79% in FY17) was achieved for the transmission network. Also, number of trippings per line was contained at 0.60 in FY18 (0.68 in FY17). During H1FY19, the transmission system availability stood at 99.64% and number of trippings per line was further contained at 0.30 in H1FY19 (refers to period April 1 to September 30).

Assets worth about Rs. 27,928 crore (Rs.31,000 crore in FY17) were capitalized by the company during FY18, adding about 9,250 ckm transmission lines, 17 new sub-stations and about 42,620 MVA transformation capacity in the transmission system. During H1FY19, the company incurred capex of Rs. 12,274 crore and capitalized assets of Rs. 9,756 crore.

***Consistent increase in revenue and profit***

PGCIL has been showing consistent increase in the scale of operations as well as operating income and profit. In FY18, PGCIL's total operating income on standalone basis grew by 16%, PAT by 9.48% and GCA by 13.73%, primarily on account strong capitalization of transmission assets. The growth trend continued in 9MFY19 also, with 14.74% y-o-y increase in the total operating income to Rs. 26,008 crore and 10.38% y-o-y increase in PAT to Rs. 6,881 crore. PGCIL has been able to maintain high profitability on account of cost-plus tariff structure as laid down by CERC, high operating efficiency and low level of

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

operating expenses due to the nature of business. The company had cash and cash equivalents of Rs. 1,825 crore as on December 31, 2018.

***Stable outlook for transmission industry***
To match the augmentation in power generation capacity, the inter-regional transmission network has to grow concomitantly, requiring significant capital expenditure by the country's principal transmission utility, viz, PGCIL.

**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 is 39-42 days for last four years. Going forward, success of the UDAY scheme in addressing the financial challenges of the discoms and its impact on their financial profiles will have a bearing on PGCIL's financial performance.

**Analytical approach:** Standalone

**Applicable Criteria**
CARE's Policy on Default Recognition
Rating Methodology - Infrastructure Sector Ratings
Short Term Instruments
Financial ratios – Non-Financial Sector

**About the Company**
PGCIL (CIN L40101DL1989GOI038121), incorporated in October 1989, is the Central Transmission Utility 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 about 1,49,308 ckm, 237 Extra High Voltage Alternating Current (EHVAC) and High Voltage Direct Current (HVDC) substations with 344,790 Mega Volt Ampere (MVA) transformation capacity as on September 30, 2019. Also, the company has more than 47,735 km of fibre optic network. PGCIL was notified as a Navratna company by the Government of India (GoI) in May 2008. The GoI holding in PGCIL stood at 56.34% as on December 31, 2018.

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) |
|---|---:|---:|
| Total operating income | 26,516.26 | 30,757.28 |
| PBILDT | 23,299.65 | 26,849.40 |
| PAT | 7,515.74 | 8,228.02 |
| Overall gearing (times) | 2.44 | 2.47 |
| Interest coverage (times) | 3.70 | 3.54 |

*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 |
|---|---|---|---|---|---|
| Commercial Paper | - | - | 7-364 days | 3900.00 | CARE A1+ |

**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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Borrowings-Secured Long Term Borrowings | LT | 1848.75 | CARE AAA; Stable | - | 1)CARE AAA; Stable (20-Sep-18) | 1)CARE AAA; Stable (05-Oct-17) | 1)CARE AAA; Stable (28-Dec-16) 2)CARE AAA (04-Nov-16) |
| 2. | Fund-based - ST-Term loan | ST | - | - | - | - | - | 1)Withdrawn (04-Nov-16) |
| 3. | Bonds-Secured Reedemable Bonds | LT | 710.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (20-Sep-18) | 1)CARE AAA; Stable (05-Oct-17) | 1)CARE AAA; Stable (28-Dec-16) 2)CARE AAA (04-Nov-16) |
| 4. | Borrowings-Secured Long Term Borrowings | LT | 3158.75 | CARE AAA; Stable | - | 1)CARE AAA; Stable (20-Sep-18) | 1)CARE AAA; Stable (05-Oct-17) | 1)CARE AAA; Stable (28-Dec-16) 2)CARE AAA (04-Nov-16) |
| 5. | Borrowings-Secured Long Term Borrowings | LT | 4245.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (20-Sep-18) | 1)CARE AAA; Stable (05-Oct-17) | 1)CARE AAA; Stable (28-Dec-16) 2)CARE AAA (04-Nov-16) |
| 6. | Term Loan-Long Term | LT | - | - | - | - | - | 1)Withdrawn (04-Nov-16) |
| 7. | Non-fund-based - LT/ ST-BG/LC | LT/ST | 2200.00 | CARE AAA; Stable / CARE A1+ | - | 1)CARE AAA; Stable / CARE A1+ (20-Sep-18) | 1)CARE AAA; Stable / CARE A1+ (05-Oct-17) | 1)CARE AAA; Stable / CARE A1+ (28-Dec-16) 2)CARE AAA / CARE A1+ (04-Nov-16) |
| 8. | Fund-based - LT-Cash Credit | LT | 300.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (20-Sep-18) | 1)CARE AAA; Stable (05-Oct-17) | 1)CARE AAA; Stable (28-Dec-16) 2)CARE AAA (04-Nov-16) |
| 9. | Borrowings-Secured Long Term Borrowings | LT | 8134.25 | CARE AAA; Stable | - | 1)CARE AAA; Stable (20-Sep-18) | 1)CARE AAA; Stable (05-Oct-17) | 1)CARE AAA; Stable (28-Dec-16) 2)CARE AAA (04-Nov-16) |
| 10. | Borrowings-Market Borrowing Programme | LT | 7356.88 | CARE AAA; Stable | - | 1)CARE AAA; Stable (20-Sep-18) | 1)CARE AAA; Stable (05-Oct-17) | 1)CARE AAA; Stable (28-Dec-16) 2)CARE AAA (04-Nov-16) |
| 11. | Short Term Instruments-Short Term Borrowing | ST | - | - | - | - | - | 1)Withdrawn (04-Nov-16) |
| 12. | Borrowings-Market Borrowing Programme | LT | 8403.60 | CARE AAA; | - | 1)CARE AAA; Stable | 1)CARE AAA; Stable | 1)CARE AAA; Stable |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Stable | | (20-Sep-18) | (05-Oct-17) | (28-Dec-16)<br>2)CARE AAA<br>(04-Nov-16) |
| 13. | Short Term Instruments-Short Term Borrowing | ST | - | - | - | - | - | 1)Withdrawn<br>(04-Nov-16) |
| 14. | Borrowings-Market Borrowing Programme | LT | 10887.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable<br>(20-Sep-18) | 1)CARE AAA; Stable<br>(05-Oct-17) | 1)CARE AAA; Stable<br>(28-Dec-16)<br>2)CARE AAA<br>(04-Nov-16) |
| 15. | Short Term Instruments-Short Term Borrowing | ST | - | - | - | - | - | 1)Withdrawn<br>(04-Nov-16) |
| 16. | Borrowings-Market Borrowing Programme | LT | 7326.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable<br>(20-Sep-18) | 1)CARE AAA; Stable<br>(05-Oct-17) | 1)CARE AAA; Stable<br>(28-Dec-16)<br>2)CARE AAA<br>(04-Nov-16) |
| 17. | Short Term Instruments-Short Term Borrowing | ST | - | - | - | - | 1)Withdrawn<br>(24-Apr-17) | 1)CARE A1+<br>(28-Dec-16)<br>2)CARE A1+<br>(04-Nov-16) |
| 18. | Borrowings-Market Borrowing Programme | LT | 13481.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable<br>(20-Sep-18) | 1)CARE AAA; Stable<br>(05-Oct-17) | 1)CARE AAA; Stable<br>(28-Dec-16)<br>2)CARE AAA<br>(04-Nov-16)<br>3)CARE AAA<br>(29-Apr-16) |
| 19. | Short Term Instruments-Short Term Borrowing | ST | 2100.00 | CARE A1+ | - | 1)CARE A1+<br>(20-Sep-18)<br>2)CARE A1+<br>(05-Apr-18) | 1)CARE A1+<br>(19-Dec-17)<br>2)CARE A1+<br>(05-Oct-17)<br>3)CARE A1+<br>(24-Apr-17) | 1)CARE A1+<br>(28-Dec-16)<br>2)CARE A1+<br>(04-Nov-16)<br>3)CARE A1+<br>(29-Apr-16) |
| 20. | Fund-based - LT-Line Of Credit | LT | 11270.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable<br>(20-Sep-18) | 1)CARE AAA; Stable<br>(05-Oct-17)<br>2)CARE AAA; Stable<br>(24-Apr-17) | - |
| 21. | Borrowings-Market Borrowing Programme | LT | 9130.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable<br>(20-Sep-18) | 1)CARE AAA; Stable<br>(05-Oct-17)<br>2)CARE AAA; Stable<br>(24-Apr-17) | - |
| 22. | Fund-based - LT-Term Loan | LT | 14092.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable<br>(20-Sep-18) | 1)CARE AAA; Stable<br>(05-Oct-17) | - |
| 23. | Commercial Paper | ST | 3900.00 | CARE A1+ | - | 1)CARE A1+<br>(20-Sep-18)<br>2)CARE A1+<br>(05-Apr-18) | 1)CARE A1+<br>(19-Dec-17) | - |
| 24. | Borrowings-Market Borrowing Programme | LT | 20000.00 | CARE AAA; | - | 1)CARE AAA; Stable | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Stable | | (20-Sep-18)<br>2)CARE AAA; Stable<br>(05-Apr-18) | | |
| 25. | Fund-based - LT-Term Loan | LT | 20000.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable<br>(11-Mar-19)<br>2)CARE AAA; Stable<br>(20-Sep-18)<br>3)CARE AAA; Stable<br>(05-Apr-18) | - | - |

***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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