Power Grid Corporation of India Limited

June 25, 2019

Ratings

Instrument/Facility	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long term Bank Facilities	45,208	**CARE AAA; Stable (Triple A; Outlook Stable)**	**Reaffirmed**
Long term/ Short term Bank Facilities	2,200	**CARE AAA; Stable/ CARE A1+ (Triple A; Outlook Stable/ A One Plus)**	**Reaffirmed**
Total	**47,408 (Rupees Forty Seven Thousand Four Hundred Eight Crore Only)**		
Long term Borrowing Programme (FY09-FY20)	85,183.39 (Rupees Eighty Five Thousand One Hundred Eighty Three Crore & Thirty Nine Lakh Only)	**CARE AAA; Stable (Triple A; Outlook Stable)**	**Reaffirmed**
Long term Bonds (Series XXVI & XXVII)	568.00 (Rupees Five Hundred Sixty Eight Crore Only)	**CARE AAA; Stable (Triple A; Outlook Stable)**	**Reaffirmed**
Short term Borrowing Programme	6,000 (enhanced from 2,100) (Rupees Six Thousand Crore Only)	**CARE A1+ (A One Plus)**	**Reaffirmed**
Commercial Paper Issue	6,000 (enhanced from 3,900) (Rupees Six Thousand Crore Only)	**CARE A1+ (A One Plus)**	**Reaffirmed**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the instruments and bank facilities 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, maintaining 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

<u>Key Rating Strengths</u>

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 55.37% shareholding as on March 31, 2019, 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 and play significant role in the India power sector.

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 seven projects have become operational while balance are under progress and expected to be commissioned by July, 2021.

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% (above normative availability of 98%), which enables the company to earn incentive income consistently. During FY19 (refers to

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

period April 01 to March 31), transmission system availability of 99.71% (PY: 99.81%) was achieved for the transmission network. Also, number of trippings per line was contained at 0.46 in FY19 (0.60 in FY18).
Further, the assets worth of Rs. 25,869 crore (Rs. 27,928 crore in FY18) were capitalized by the company during FY19, adding about 8,456 ckm transmission lines, 10 new sub-stations and 40,119 MVA transformation capacity in the transmission system.

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 FY19, PGCIL's total operating income on standalone basis grew by 15.80%, PAT by 20.79% and GCA by 10.71%, primarily on account strong capitalization of transmission assets. The PBILDT and PAT margin of the company stood comfortable at 86.41% & 27.90% respectively. 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 operating expenses due to the nature of business.

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 38-42 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.

Liquidity Profile: Strong
The company has strong liquidity profile marked by healthy cash generation viz a viz scheduled debt repayments of the company coupled with cushion available in the working capital limits to match the fund flow mismatches if any. The liquidity profile of the company is also supported by the cash and bank balance of Rs. 3,643 crore as on March 31, 2019 and gross cash accruals of Rs. 19,209 crore in FY19.

Analytical approach: Standalone. Further, the rating factors in PGCIL's strategic importance to the Government of India (GOI) and its role as Central Transmission Utility (CTU) for the Indian power transmission sector.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Short Term Instruments
Rating Methodology - Infrastructure Sector Ratings
Financial ratios – Non-Financial Sector
CARE's policy for factoring linkages in ratings

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 1,58,297 ckm, 245 Extra High Voltage Alternating Current (EHVAC) and High Voltage Direct Current (HVDC) substations with 371,912 Mega Volt Ampere (MVA) transformation capacity as on March 31, 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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	30,757	35,618
PBILDT	26,849	30,781
PAT	8,245	9,939
Overall gearing (times)	2.47	2.48
Interest coverage (times)	3.54	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	-	-	-	2200.00	CARE AAA; Stable / CARE A1+
Fund-based - LT-Cash Credit	-	-	-	300.00	CARE AAA; Stable
Fund-based - LT-Line Of Credit	-	-	Sep, 2032	11270.00	CARE AAA; Stable
Fund-based - LT-Term Loan	-	-	Oct, 2028	13638.00	CARE AAA; Stable
Fund-based - LT-Term Loan	-	-	May, 2033	20000.00	CARE AAA; Stable
Bonds	-	-	Proposed	10000.00	CARE AAA; Stable
Borrowings-Market Borrowing Programme	Jan 07, 2019	8.36%	14-Feb-2029	5487.50	CARE AAA; Stable
Borrowings-Market Borrowing Programme	June 19, 2017	7.30%	12-Dec-2032	9130.00	CARE AAA; Stable
Borrowings-Secured Long Term Borrowings	December 15, 2008	9.33%	12-Mar-2024	1540.63	CARE AAA; Stable
Bonds-Secured Reedemable Bonds	March 07, 2008	9.30%	31-Mar-2023	568.00	CARE AAA; Stable
Borrowings-Secured Long Term Borrowings	September 29, 2009	8.80%	29-Mar-2025	2707.50	CARE AAA; Stable
Borrowings-Secured Long Term Borrowings	July 08, 2010	8.64%	21-Oct-2025	3714.38	CARE AAA; Stable
Borrowings-Secured Long Term Borrowings	May 31, 2011	9.64%	29-Mar-2027	7598.88	CARE AAA; Stable
Borrowings-Market Borrowing Programme	June 28, 2012	9.30%	13-Mar-2023	7120.00	CARE AAA; Stable
Borrowings-Market Borrowing Programme	May 20, 2013	7.93%	28-Feb-2029	6654.50	CARE AAA; Stable
Borrowings-Market Borrowing Programme	September 04, 2014	9.30%	09-Mar-2030	10667.00	CARE AAA; Stable
Borrowings-Market Borrowing Programme	May 27, 2015	8.40%	23-Dec-2030	7082.00	CARE AAA; Stable
Borrowings-Market Borrowing Programme	April 25, 2016	8.13%	09-Mar-2027	13481.00	CARE AAA; Stable
Short Term Instruments-Short Term Borrowing	-	-	7-364 days	6000.00	CARE A1+
Commercial Paper	-	-	7-364 days	6000.00	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	1540.63	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	568.00	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	2707.50	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	3714.38	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	7598.88	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)
10.	Borrowings-Market Borrowing Programme	LT	7120.00	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)
11.	Short Term Instruments-Short Term Borrowing	ST	-	-	-	-	-	1)Withdrawn (04-Nov-16)
12.	Borrowings-Market Borrowing Programme	LT	6654.50	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)
13.	Short Term Instruments-Short Term Borrowing	ST	-	-	-	-	-	1)Withdrawn (04-Nov-16)
14.	Borrowings-Market Borrowing Programme	LT	10667.00	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)
15.	Short Term Instruments-Short Term Borrowing	ST	-	-	-	-	-	1)Withdrawn (04-Nov-16)
16.	Borrowings-Market Borrowing Programme	LT	7082.00	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)
17.	Short Term Instruments-Short Term Borrowing	ST	-	-	-	-	1)Withdrawn (24-Apr-17)	1)CARE A1+ (28-Dec-16) 2)CARE A1+ (04-Nov-16)
18.	Borrowings-Market Borrowing Programme	LT	13481.00	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) 3)CARE AAA (29-Apr-16)
19.	Short Term Instruments-Short Term Borrowing	ST	6000.00	CARE A1+	-	1)CARE A1+ (20-Sep-18) 2)CARE A1+ (05-Apr-18)	1)CARE A1+ (19-Dec-17) 2)CARE A1+ (05-Oct-17) 3)CARE A1+ (24-Apr-17)	1)CARE A1+ (28-Dec-16) 2)CARE A1+ (04-Nov-16) 3)CARE A1+ (29-Apr-16)
20.	Fund-based - LT-Line Of Credit	LT	11270.00	CARE AAA; Stable	-	1)CARE AAA; Stable (20-Sep-18)	1)CARE AAA; Stable (05-Oct-17) 2)CARE AAA; Stable (24-Apr-17)	-
21.	Borrowings-Market Borrowing Programme	LT	9130.00	CARE AAA; Stable	-	1)CARE AAA; Stable (20-Sep-18)	1)CARE AAA; Stable (05-Oct-17) 2)CARE AAA; Stable (24-Apr-17)	-
22.	Fund-based - LT-Term Loan	LT	13638.00	CARE AAA; Stable	-	1)CARE AAA; Stable (20-Sep-18	1)CARE AAA; Stable (05-Oct-17)	-
23.	Commercial Paper	ST	6000.00	CARE A1+	1)CARE A1+ (17-May-19)	1)CARE A1+ (20-Sep-18) 2)CARE A1+ (05-Apr-18)	1)CARE A1+ (19-Dec-17)	-
24.	Borrowings-Market Borrowing Programme	LT	5487.50	CARE AAA; Stable	-	1)CARE AAA; Stable (20-Sep-18) 2)CARE	-	-

						AAA; Stable (05-Apr-18)		
25.	Fund-based - LT-Term Loan	LT	20000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (11-Mar-19) 2)CARE AAA; Stable (20-Sep-18) 3)CARE AAA; Stable (05-Apr-18)	-	-
26.	Bonds	LT	10000.00	CARE AAA; Stable	1)CARE AAA; Stable (22-May-19)	-	-	-

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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