Power Grid Corporation of India Limited
November 1, 2019

Ratings

Instruments	**Amount (Rs. crore)**	**Rating1**	**Rating Action**
Commercial Paper Issue^	**9,000.00 (enhanced from 6,000.00) (Rupees Nine Thousand Crore Only)**	**CARE A1+ (A One Plus)**	Reaffirmed
Short Term Borrowing Programme^	**9,000.00 (enhanced from 6,000.00) (Rupees Nine Thousand Crore Only)**	**CARE A1+ (A One Plus)**	Reaffirmed

Details of instruments/facilities in Annexure-1
^As approved by the board of the company, borrowings from commercial paper issue and short term borrowing programme will not exceed Rs. 9,000.00 crore at any point of time.

Detailed Rationale & Key Rating Drivers
The reaffirmation of the rating assigned to the short term instruments 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. The rating also takes cognizance of the weak credit profile of the state owned utilities.

Rating Sensitivities
Negative Factors
- Significant delay in the receipt of payments from counter party.
- 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 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 September 30, 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 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 (excluding FERV) (Rs. 27,928 crore in FY18) were capitalized by the company during FY19, adding about 8,468 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 20.54% 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.
In Q1FY20 (Prov.), the company has registered total operating income and PAT of Rs. 9,228 crore and Rs. 2,428 crore respectively.
Stable outlook for transmission industry

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

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: 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. 2,880.52 crore as on June 30, 2019 and gross cash accruals of Rs. 5,269 crore in Q1FY20 (Prov.).

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

CARE's Policy on Default Recognition
Short Term Instruments
Rating Methodology - Power Transmission
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. Recently, PGCIL has been notified as a Maharatna company by the Government of India (GoI) on October 23, 2019.

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
Short Term Instruments-Short Term Borrowing	-	-	-	9000.00	CARE A1+
Commercial Paper	-	-	-	9000.00	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	LT	1540.63	CARE	1)CARE	1)CARE	1)CARE AAA;	1)CARE AAA;

	Long Term Borrowings			AAA; Stable	AAA; Stable (25-Jun-19)	AAA; Stable (20-Sep-18)	Stable (05-Oct-17)	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 (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19)	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	2700.00	CARE AAA; Stable / CARE A1+	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)	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	3000.00	CARE AAA; Stable	1)CARE AAA; Stable (12-Aug-19) 2)CARE AAA; Stable (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19)	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	9000.00	CARE A1+	1)CARE A1+ (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19)	1)CARE AAA; Stable (20-Sep-18	1)CARE AAA; Stable (05-Oct-17)	-
23.	Commercial Paper	ST	9000.00	CARE A1+	1)CARE A1+ (25-Jun-19) 2)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 (25-Jun-19)	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 (25-Jun-19)	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 (25-Jun-19) 2)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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