

**Power Grid Corporation of India Limited**

April 07, 2020

**Ratings**

Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Borrowing Programme for FY21	10,000.00 (Rupees Ten Thousand Crore Only)	<b>CARE AAA; Stable</b> <b>(Triple A; Outlook: Stable)</b>	Assigned

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The rating assigned to the long term borrowing programme for FY21 of Power Grid Corporation of India Limited (PGCIL) derives 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 rating also take into account PGCIL's high operating efficiency, growing income and cash accruals, strong project execution skills and its comfortable financial risk profile and adequate liquidity position. The rating also takes cognizance of the weak credit profile of its customers viz. state owned power distribution utilities.

**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 54.96% shareholding as on December 31, 2019, 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 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, 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 are under progress and expected to be commissioned by July, 2021.

**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 FY19 (refers to period April 01 to March 31), transmission system availability of 99.71% (PY: 99.81%) was achieved for the transmission network. Furthermore, the number of trippings per line was contained at 0.46 times in FY19 (0.60 in FY18). Besides, during 9MFY20 (refers to period April 01 to Dec 31), the company has registered system availability of 99.81% and number of trippings per line is contained at 0.32 times.

Assets worth Rs. 25,869 crore (excluding Foreign Exchange Rate Variation) (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. During 9MFY20, the company has incurred capex of Rs. 10,485 crore and capitalized the assets of Rs. 10,917 crore. The company has added new transmission lines of 3,566 ckm, three sub-stations and transformation capacity of 27,985 MVA.

**Consistent increase in revenue and profit**

During 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 of high operating efficiency and increase in transmission assets. The PBILD and PAT margin of the company stood comfortable at 86.41% and 27.90% respectively, 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 9MFY20 (provisional), the company has registered total operating income and PAT of Rs. 27,908 crore and Rs. 7,629 crore, respectively.

**Comfortable financial risk profile**

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

The company has comfortable financial risk profile marked by a healthy net-worth base and financial flexibility, given its status as the largest transmission utility of India and majorly owned by GoI. The overall gearing of the company stood at 2.54 times as on March 31 2019. The overall gearing is moderately high due to regular debt raised by the company for annual capex plans and long gestation period of the projects. However, the debt coverage indicators of the company stood comfortable as exhibited by an interest coverage of 3.37x in FY19 (PY: 3.54x) and a total debt-to-GCA of 7.60x as on March 31, 2019 (PY: 7.56x).

#### **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 38-44 days for last four years. Besides, to aid the liquidity position of distribution companies (DISCOMs) amid the ongoing nationwide lockdown in India, the Ministry of Power (MoP) has issued a directive to CERC to determine the lower late payment surcharge (LPS) for delays in payment of dues to transmission licensees during the period March 24, 2020 to June 30, 2020. Accordingly, CERC has reduced the LPS to 1.00% per month from existing 1.50% per month.

#### **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 free cash and bank balance of Rs. 7,060 crore as on December 31, 2019 and gross cash accruals of Rs. 15,969 crore in 9MFY20 (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**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Power Transmission Projects](#)

[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 (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 about 1,61,864 ckm, 248 extra high voltage alternating current (EHVAC) and high voltage direct current (HVDC) substations with 3,99,897 mega volt ampere (MVA) transformation capacity as on December 31, 2019. Besides, the company has more than 47,735 km of fibre optic network. PGCIL has also been notified as a Maharatna company by the 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
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	Rating	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)

			(Rs. crore)		assigned in 2019-2020	assigned in 2018-2019	assigned in 2017-2018	assigned in 2016-2017
1.	Borrowings-Secured Long Term Borrowings	LT	1540.63	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)
2.	Fund-based - ST-Term loan	ST	-	-	-	-	-	1)Withdrawn (04-Nov-16)
3.	Bonds-Secured Redeemable 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+ (01-Nov-19) 2)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+ (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)	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)	-	-	-
27.	Bonds	LT	10000.00	CARE AAA; Stable	-	-	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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