

Power Grid Corporation of India Limited

August 12, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	3,000 (enhanced from 300)	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Long-term/Short-term Bank Facilities	2,700 (enhanced from 2,200)	CARE AAA; Stable/CARE A1+ (Triple A; Outlook: Stable/A One Plus)	Reaffirmed
Total	5,700 (Rupees Five Thousand Seven Hundred Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the 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

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 June 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 PBILD 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.

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

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

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. Further, the company has generated 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

[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	-	-	-	2700.00	CARE AAA; Stable / CARE A1+
Fund-based - LT-Cash Credit	-	-	-	3000.00	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 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 (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+ (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 (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	1)CARE AAA; Stable	1)CARE AAA; Stable	1)CARE AAA; Stable

				Stable	(25-Jun-19)	(20-Sep-18)	(05-Oct-17)	(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	6000.00	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	6000.00	CARE A1+	1)CARE A1+	1)CARE A1+	1)CARE A1+	-

					(25-Jun-19) 2)CARE A1+ (17-May-19)	(20-Sep-18) 2)CARE A1+ (05-Apr-18)	(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.

Contact us

Media Contact

Mradul Mishra
 Contact no. – +91-22-6837 4424
 Email ID: mradul.mishra@careratings.com

Analyst Contact

Sudhir Kumar
 Contact no. - +91-11-4533 3232
 Email ID: sudhir.kumar@careratings.com

Business Development Contact

Swati Agrawal
 Contact no. : +91-11-4533 3200
 Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**