

## Press Release

### Odisha Power Transmission Corporation Limited

November 05, 2019

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 500.00 Cr.
<b>Long Term Rating</b>	ACUITE A- / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs. 500.00 crore bank facilities of Odisha Power Transmission Corporation Limited (OPTCL). The outlook is '**Stable**'.

OPTCL, a Government of Odisha Company was incorporated in 2004 to undertake the business of transmission and wheeling of electricity in the state of Odisha. The company became fully operational w.e.f April 2005 consequent upon the implementation of Odisha Electricity Reform (Transfer of Transmission and Related Activities) Scheme 2005 under the Electricity Act, 2003 for transfer and vesting of transmission related activities of GRIDCO and OPTCL. Presently, the company is carrying on the interstate transmission and wheeling of electricity under a license issued by the Odisha Electricity Regulatory Commission (OREC). The company is also discharging the functions of State Load Dispatch Center. The company owns extra high voltage transmission system and operates 13890 ckt kms of transmission lines at 400 KV, 220 KV, 132 KV and 147 nos of substation with transmission capacity of more than 17500 MVA. The present system is able to handle peak demand of the state of around 4500 MW.

#### Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of Odisha Power Transmission Corporation Limited (OPTCL).

### Key Rating Drivers

#### Strengths

- **Strategically important entity to Government of Odisha**

The company is strategically important for the power sector infrastructure in the state of Odisha. OPTCL is also the nodal entity for undertaking power transmission activity in the state of Odisha. The status of being a government owned entity provides adequate financial flexibility. OPTCL's credit profile is also supported by its access to funds at low cost and its ability to mobilize financial resources from several financial institutions and multilateral development institutions. The rating also factors ongoing support extended by GoO to OPTCL. Acuite believes that OPTCL shall continue to benefit from the financial, operational and managerial support received from GoO from time to time.

Being the transmission licensee, OCTCL is mandated to ensure development of an efficient, coordinated and economical transmission network for smooth flow of power to the load centers. The day to day affairs of the company are managed by the Chairman cum Managing director assisted by whole time director as well as experienced professional in various field such as engineering, finance, HR and legal.

Odisha currently gets about 2,500 MW of power from state generating stations, 1050 MW from IPPs, 1820 MW from central allocation including power from Bhutan and 210 MW from different renewable sources.

- **Secured Payment Mechanism**

OPTCL receives payment from distribution companies (discoms) which are secured by a first charge over the receivables of GRIDCO Limited (a power trading company, 100% government of Odisha undertaking) from discoms and other open access customers in favour of OPTCL as per clause 11 of the Orissa Electricity Reforms (Transfer of Transmission and Related Activities) Scheme, 2005. GRIDCO issues a standing and irrevocable instruction to the DISCOMs and the Escrow Bank (Union Bank of India) permitting the DISCOMs to make payment against the monthly transmission charge bills of OPTCL from the Escrow Account. DISCOM makes payment of transmission charges to OPTCL before making payment of bulk supply bills of GRIDCO. As on 31st March'19 (Provisional), receivables stood at Rs 142.59 crore as compared to Rs 150.07 crore a year earlier.

- **Above average financial risk profile**

The above average financial risk profile is marked by healthy net worth, comfortable gearing and healthy debt protection measures. The net worth stood at Rs 1434.02 crore as on March 31, 2019 (Provisional). The healthy net-worth is due to steady accretion to reserves and equity infusion by GoO. The gearing stood comfortable at 0.42 times as on 31st March'19 (Provisional) as compared to 0.48 times as on 31st March'18. The debt protection metrics stood comfortable with interest coverage ratio of 4.59 times in FY2019 (Provisional) as against 4.38 times in FY2018. DSCR stood at 3.18 times in FY 2019 (Provisional) as compared to 2.83 times a year earlier.

Going forward, Acuite expects the financial risk profile to remain healthy with continuous support in the form of equity infusion by GoO as and when required by OPTCL.

### **Weaknesses**

- **Regulated nature of operations**

OPTCL has been exposed to regulatory uncertainty, given that OPTCL operates through a cost-plus return on equity model laid down by OERC. Any change/ reduction in return on equity or tightening OERC norms could result in lower cash flows. Further any delays in the true-up of tariffs and delay in the finalisation of tariffs for subsequent years could result in cash flow mismatches. Tariff levels have remained flat since FY 2011-12, and with transmission costs rising true up and delay in finalization of tariff could result in cash flow mismatch in the medium term.

### **Liquidity Profile:**

The company has healthy liquidity profile marked by net cash accruals in the range of ~ Rs 200 crore during FY 2019 (Provisional) crore against its Rs 36 crore debt obligations during the same period. The healthy liquidity is also reflected from the short term fixed deposits of Rs 1038.00 crore as on 31st March'19 (Provisional).

### **Outlook: Stable**

Acuite believes that the company will maintain 'Stable' outlook over the medium term from its strategic importance, experienced management and strong parentage. The outlook may be revised to 'Positive' in case the company registers growth in revenues while maintaining its profitability and liquidity. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in profitability, thereby deterioration in financial risk profile or if the working capital cycle elongates.

### **Rating Sensitivity**

Continual support from GoO and revision in tariff levels remain key rating sensitivities.

### **Material Covenant**

None

### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	713.84	709.90	673.75
EBITDA	Rs. Cr.	176.98	129.27	95.85
PAT	Rs. Cr.	37.71	19.80	17.97
EBITDA Margin	(%)	24.79	18.21	14.23
PAT Margin	(%)	5.28	2.79	2.67
ROCE	(%)	37.38	31.13	28.85
Total Debt/Tangible Net Worth	Times	0.42	0.48	0.60
PBDIT/Interest	Times	4.59	4.38	3.93
Total Debt/PBDIT	Times	1.76	2.30	2.56
Gross Current Assets (Days)	Days	816	628	956

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- State Government Support - <http://www.acuite.in/view-rating-criteria-26.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	500.00	ACUITE A- / Stable (Assigned)

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**About Acuité Ratings & Research:**

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