



**Press Release**  
**KARNATAKA POWER TRANSMISSION CORPORATION LIMITED**  
**October 26, 2022**  
**Rating Reaffirmed & Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	500.00	ACUITE A-   Reaffirmed & Withdrawn	-
Bank Loan Ratings	800.00	-	ACUITE A2+   Reaffirmed & Withdrawn
<b>Total Outstanding Quantum (Rs. Cr)</b>	0.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	1300.00	-	-

**Rating Rationale**

Acuite has reaffirmed & withdrawn its long term rating of 'ACUITE A-' (read as ACUITE A minus) and short term rating of 'ACUITE A2+' (read as ACUITE A two plus) on the Rs.1,300.00 crore bank facilities of Karnataka Power Transmission Corporation Limited (KPTCL). The rating is withdrawn in accordance with acuite's policy on withdrawal of rating and NOC received from the banker along with the company's request on the withdrawal.

**About the Company**

Karnataka Power Transmission Corporation Limited (KPTCL) was incorporated on July 28, 1999 is wholly owned by Government of Karnataka (GoK). KPTCL was formed by carving out the Transmission and Distribution functions of the erstwhile Karnataka Electricity Board (KEB). KPTCL is engaged in transmission to 5 major power distributors of Karnataka State. All power purchase agreements entered into with KPTCL by the central power utilities, state utilities, and private generators, were transferred to the five independent ESCOMS namely Bangalore Electricity Supply Company (BESCOM), Mangalore Electricity Supply Company (MESCOM), Hubli Electricity Supply Company (HESCOM), Gulbarga Electricity Supply Company (GESCOM) and Chamundeswari Electricity Supply Corporation Ltd (CESCOM). These companies are in charge of distribution of power within their jurisdiction.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of KPTCL along with factoring in the expectations of support from the Government of Karnataka (GoK), given the latter 100% ownership of GoK.

**Key Rating Drivers**

**Strengths**

• **Strategically important entity to Government of Karnataka**

KPTCL was unbundled in 1999 with 100% ownership of Government of Karnataka (GoK). KPTCL is the sole transmission entity in the State of Karnataka, thus making it a critical and strategically important company for GoK. Being the transmission licensee, KPTCL is mandated

to ensure the development of an efficient, coordinated and economical transmission network for smooth flow of power to the load centres. The company operates through 1,230 sub stations with different voltage grades from 400KV to 66KV. The company transmits power to 5 State Power Distribution companies which, includes Bangalore Electricity Supply Company (BESCOM), Mangalore Electricity Supply Company (MESCOM), Hubli Electricity Supply

Company (HESCOM), Gulbarga Electricity Supply Company (GESCOM) and Chamundeswari Electricity Supply Corporation Ltd (CESCOM). As per the Karnataka Electricity Regulatory Commission (KERC), the company has been able to lower the transmission losses year on year to ~3.04% in FY2021 from 3.13% in FY2020 and ~3.169% in FY2019.

Further, well-established regulatory processes in Karnataka such as presence of multiyear tariff regulations, etc. is benefitting the KPTCL's operations. Under MYT regulations, KPTCL files to KERC an application indicating the Annual Revenue Required (ARR) depending on the expected cost of transmission and 15.5% rate of return on equity (RoE). Irrespective of the electricity drawn by a beneficiary in a particular month, the ESCOMs would be required to pay the fixed tariff to the KPTCL.

Acuité believes that KPTCL, being a 100 per cent undertaking of GoK, shall continue to benefit from the financial, operational and management support as and when required. The GoK has demonstrated financial support by way of equity to KPTCL on a regular basis. Any changes in the ownership pattern of KPTCL or any event that impinges GoK's overall credit profile shall remain a key rating sensitivity.

#### • **Moderate Collection Efficiency**

The collection efficiency of KPTCL has remained moderate, as its average collection efficiency stood at 80.93% in FY2022 as against 106.32% in FY2021. The decline in collection is mainly due to decline in collections from BESCOM owing to high receivables due to delay in receipt of subsidy dues from GoK and electricity dues from government bodies. BESCOM consists of ~51% of total revenue of KPTCL and collection from BESCOM was around ~58% during 9MFY22. KPTCL's collection improved to 95.61% in H1FY2023.

#### • **Healthy Coverage Indicators**

The company has a healthy tangible net worth base of Rs.6623.57 Cr. as on 31 March 2022 as against Rs.5758.37 Cr. as on 31 March 2021. The company continues to achieve healthy profitability marked by operating profit margin of more than 57.31 per cent in FY2022 as against 57.70 per cent in the previous year. The company has achieved operating profit of Rs.2353.83 Cr. for FY2022 as against Rs.2250.50 Cr. in the previous year. This has led to healthy coverage indicators marked by interest coverage of 5.40 times for FY2022 as against 5.90 times in FY2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.21 times for FY2022. Further, the DSCR stood moderate at 2.02 times for FY2022 as against 2.14 times for FY2021. The company has achieved net cash accruals of Rs.1995.93 Cr. as against the debt repayment of Rs.730 Cr. in FY2022. Acuité believes that going ahead, the company will continue to achieve healthy profitability margins with modest reliance on external debt, thus resulting in continued healthy coverage indicator.

#### **Weaknesses**

##### • **Moderate Gearing and TOL/TNW**

The company has been upgrading its transmission lines and undergoing other capex for upgradation purpose for which the company's reliance over external debt has remained slightly on an elevated side. The company has made net additions of ~ Rs.3082.71 Cr. in FY2022 and has plans to undergo capex of ~Rs.2,500 Cr. in FY2023. The same is expected to be funded in a ratio of 70:30 (debt : equity). The total outstanding debt stood at Rs.9582.46 Cr as on March 31, 2022 generating a gearing of 1.45 times as on March 31, 2022 as against 1.44 times on March 31, 2021. Further, the Total outside liabilities to tangible net worth (TOL/TNW) stood in the range of 2.5-3 for last 2 years ending FY2022. Despite planned debt funded capex, the gearing is expected to remain below 1.5 times and TOL/TNW below 3 times. This is on account of healthy acceleration of profits and expected infusion of capital by GoK in FY2021. Any major deviation from these will impinge a negative bias towards the rating.

##### • **Moderate Gross Current Asset Days**

The Gross Current Asset (GCA) Days for KPTCL are moderate at 176 days for FY2022 as compared to 109 days in the previous year. This is on account of significant increase in trade receivables. The trade receivables days stood at 133 days for FY2022 as against 65 days for FY2021. The increase in trade receivables was on account decline in collections from ESCOMs. However, recovery is expected in FY2023, as the collection efficiency improved to 95.61

percent in H1FY23 as against 80.93 percent in FY2022. Any further increase in debtor days, thus leading to liquidity pressures will impinge a negative bias towards the rating.

#### **Rating Sensitivities**

- > Timely Support from GoK
- > Increase in gearing to beyond 2 times
- > Elongation of trade receivables days

#### **Material covenants**

None

#### **Liquidity Position: Adequate**

The company's liquidity is adequate, marked by net cash accruals of Rs.1995.93 Cr. in FY2022 as against debt repayment obligation of Rs.730 Cr. The cash and bank balances of the company stood at Rs.131.53 Cr as on March 31, 2022. However, the company's operations are working capital intensive as reflected by Gross Current Assets (GCA) of 176 days for FY2022 as against 109 days for FY2021, primarily due to increase in trade receivables. Further, the liquidity is also supported by timely infusion of equity by GoK.

#### **Outlook: Not Applicable**

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	4106.98	3900.13
PAT	Rs. Cr.	828.61	959.46
PAT Margin	(%)	20.18	24.60
Total Debt/Tangible Net Worth	Times	1.45	1.44
PBDIT/Interest	Times	5.40	5.90

### 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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 May 2022	Term Loan	Long Term	500.00	ACUITE A- (Downgraded, Withdrawn and Issuer not co-operating*)
	Working Capital Demand Loan	Short term	300.00	ACUITE A2+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	500.00	ACUITE A- (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short term	500.00	ACUITE A2+ (Downgraded and Issuer not co-operating*)
02 Feb 2021	Term Loan	Long Term	500.00	ACUITE A   Stable (Assigned)
	Working Capital Demand Loan	Short Term	300.00	ACUITE A1 (Assigned)
	Proposed Bank Facility	Long Term	500.00	ACUITE A   Stable (Assigned)
	Proposed Bank Facility	Short Term	500.00	ACUITE A1 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	500.00	ACUITE A-   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	500.00	ACUITE A2+   Reaffirmed & Withdrawn
Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	300.00	ACUITE A2+   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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