

Press Release

Teestavalley Power Transmission Limited

July 01, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1014.55	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1014.55	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.1014.55 Cr bank facilities of Teestavalley Power Transmission Limited (TPTL). The outlook remains '**Stable**'.

The rating on TPTL takes into account the steady business risk profile of the Company marked by the cent per cent transmission line availability. The rating also factors the efficient working capital management and adequate liquidity position of TPTL. Moreover, the rating derives comfort from the fiscal profile of the Government of Sikkim which is expected to provide significant support to TPTL through Teesta Urja Limited (TUL; rated at ACUITE A-/Stable/A2+), as and when necessary. These strengths are partly offset by the moderate financial risk profile of the company and inherently regulated nature of operations in the electricity transmission business.

About the Company

Incorporated in 2006, Teestavalley Power Transmission Ltd. (TPTL) is a Joint Venture between Teesta Urja Limited (TUL) and Power Grid Corporation of India Ltd. (PGCIL), who are holding 69.08 per cent and 30.92 per cent of shares respectively. Central Electricity Regulatory Commission (CERC) had granted transmission license to TPTL and for that purpose, the company has constructed a 400 kV Double Circuit Quad Moose 215 Km Interstate Transmission Line from 1200 MW Teesta-III HEP in Sikkim to PGCIL sub-station at Kishanganj, Bihar. Additionally, the operation and maintenance of the transmission line is being carried out by TPTL itself. The company has achieved its commercial operation date (COD) on 13th February, 2019 and presently has around 100 per cent transmission line availability.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of TPTL to arrive at the rating. However, the rating factors in the support from the Government of Sikkim, through its relationship and holding in TUL which in turn holds majority stake in this entity apart from its strategic importance to the state.

Key Rating Drivers

Strengths

Support from the Government of Sikkim, TUL, and PGCIL

TPTL is a subsidiary of Teesta Urja Limited (TUL), which in turn is a 60.08 per cent owned body of the Government of Sikkim, and a strategically important entity of the power sector infrastructure for PGCIL. The ownership structure of 69.08 per cent shareholding by TUL and 30.92 per cent of shareholding by PGCIL provides adequate financial flexibility. It is an Inter State Transmission System catering to the states of Sikkim, West Bengal and Bihar, covering a total distance of 215 Km. Being the transmission licensee by CERC, TPTL is mandated to ensure the development of an efficient, coordinated and economical transmission network for smooth flow of power in 400 kV Double Circuit Quad Moose Interstate Transmission Line (ISTS line) from 1200 MW Teesta-III HEP in Sikkim to PGCIL sub-station at District Kishanganj, Bihar. TPTL's credit profile is also supported by its access to funds at low cost and its ability to mobilise financial resources from several financial institutions, multilateral development institutions and banks. The rating factors in the financial flexibility of TPTL.

Acuité believes that TPTL, which is a step-down subsidiary and a strategically important entity for the state of Sikkim, shall continue to benefit from the financial, operational and management support from the state government as and when required. Further, PGCIL has demonstrated financial support by way of loans to TPTL on a regular basis. Any changes in the ownership pattern of TPTL or any event that impinges GoS's overall credit profile shall remain a key rating sensitivity.

Steady business risk profile

TPTL has achieved revenue of Rs.251.19 Cr in FY2022 (Provisional) as against Rs.298.90 Cr in FY2021. The decline in revenue is on account of past regulatory adjustments. Further, the PAT margins stood at 6.43 per cent FY2022 (Provisional) as against 15.39 per cent in FY2021. The decrease in PAT margins was in lieu of prepayment charges of term loans and regulatory adjustments. However, going forward, the business risk profile is going to improve due to no pending adjustments as well decrease in interest cost.

Efficient working capital management

The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 68 days as on 31st March 2022 (provisional) as compared to 135 days as on 31st March 2021. The GCA days are low on account of low debtor period at 10 days as on 31st March 2022 (provisional) as against 72 days as on 31st March 2021. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from efficient collection mechanism over the medium term.

'Cost plus' tariff mechanism

The annual transmission charges for the line laid by TPTL is determined by CERC primarily on cost plus method and reviewed annually or under Multi Year Tariff (MYT) regime by CERC. The annual transmission charges determined by CERC are recovered by raising bills through PGCIL, acting as Central Transmission Utility (CTU), based on the monthly availability of the transmission line during the billing period. PGCIL makes billing based on cost approved by CERC in point of connection pool for further recovery from Designated ISTS Customers (DIC). Acuité believes the 'cost-plus' based tariff mechanism will continue to sustain the stable business outlook for the company.

Weaknesses

Moderate albeit improving financial risk profile

The company's moderate albeit improving financial risk profile is marked by healthy network, high gearing and moderate debt protection metrics. The tangible net worth of the company improved to Rs.255.52 Cr as on March 31, 2022 (Provisional) from Rs.226.08 Cr as on March 31, 2021 from due to accretion of reserves. The Project Cost has increased from Rs.770.80 Cr to Rs.1624 Cr, as a result of multiple cost overruns and time overruns faced by the project due to delay in clearances, ROW issues, Earthquake in Sikkim, court cases, arbitration and the escalation of the project cost. Gearing of the company stood high at 3.50 times as on March 31, 2022 (Provisional) as against 4.55 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.83 times as on March 31,

2022(Provisional) as against 4.93 times as on March 31, 2021. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 1.84 times as on March 31, 2022(Provisional) and Debt Service Coverage Ratio at 1 time as on March 31, 2022 (Provisional). Net Cash Accruals/Total Debt (NCA/TD) stood modest at 0.12 times as on March 31, 2022 (Provisional). Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals.

Regulated nature of operations

The revenues are influenced by the regulatory framework governing the power sector. Revenues of players such as TPTL are determined by Central Electricity Regulatory Commission (CERC). The regulatory commission considers key parameters such as the availability of the transmission line, interest paid on term loans and working capital loans, operational and maintenance expenses, depreciation and expected return on capital employed to arrive at transmission tariffs. Acuité believes that significant changes in the regulatory environment will impinge on the credit profile of the company.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Timely support from the Government of Sikkim, Teesta Urja Limited and Power Grid Corporation of India Limited
- Periodical tariff revision
- Any deterioration in liquidity position

Material covenants

None

Liquidity position: Adequate

The company's liquidity is adequate marked by contingency fund put aside by the company of Rs.39.58 Cr as on March 31, 2022 (provisional) to be utilized for unforeseen exigencies. The company maintained Rs. 36 Cr in DSRA in every quarter of FY2022. The cash and bank balances of the company stood at Rs.7.15 Cr as on March 31, 2022 (Provisional) as compared to Rs.28.36 Cr as on March 31, 2021. However, net cash accruals were tightly matched at Rs.104.63 Cr in March 31, 2022(Provisional) as against debt repayment obligation of Rs.104.23 Cr. The current ratio stood below unity at 0.54 times as on March 31, 2022 (Provisional), on account of high other current liabilities due to retention money payable and interest accrued on borrowings. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the company will maintain 'Stable' outlook over the medium term due to the steady cash flows inherent in the power transmission business along with its strategic importance and the support provided by the state Government of Sikkim, Teesta Urja Limited and Power Grid Corporation of India Limited. The outlook may be revised to 'Positive' in case of significant improvement of the financial risk profile and liquidity position, while maintaining its revenue level and profitability. Conversely, the outlook may be revised to 'Negative' in case of any unexpected deterioration in the financial profile, elongation of working capital cycle or any significant pressures on the fiscal position of the state government

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	251.19	298.80
PAT	Rs. Cr.	16.15	45.99
PAT Margin	(%)	6.43	15.39
Total Debt/Tangible Net Worth	Times	3.50	4.55
PBDIT/Interest	Times	1.84	2.12

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

Not Applicable

Any other information

Not Applicable

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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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
29 Jun 2021	Term Loan	Long Term	88.02	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	303.47	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	319.46	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	163.71	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	23.13	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	116.76	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	99.55	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	04-01-2010	11.70	30-06-2030	885.00	ACUITE BBB+ Stable Reaffirmed

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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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