



**Press Release**  
**Teestavalley Power Transmission Limited**  
**May 22, 2023**  
**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	-	-

**Rating Rationale**

Acuite 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'**.

**Rationale for the rating**

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), holding 69.08 per cent and 30.92 percent of shares respectively. The Central Electricity Regulatory Commission (CERC) had granted a transmission license to TPTL and for that purpose, the company 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.

**Standalone (Unsupported) Rating**

ACUITE BBB-/Stable

**Analytical Approach**

Acuite has taken a 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 the 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.

### **'Cost plus' tariff mechanism and approval of final capital cost**

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). TPTL has achieved revenue of Rs.250.25 Cr in FY2023 (Provisional) as against Rs.239.55 Cr in FY2022. Further, the PAT margins increased to 25.04 per cent in FY2023 (Provisional) as against 2.50 per cent in FY2022.. Acuité believes the 'cost-plus' based tariff mechanism will continue to sustain the stable business outlook for the company.

### **Moderate working capital management**

The moderate working capital management of the company is marked by Gross Current Assets (GCA) of 92 days as on 31<sup>st</sup> March 2023 (provisional) as compared to 44 days as on 31<sup>st</sup> March 2022. The GCA days are moderate on account of moderate debtor period of 77 days as on 31<sup>st</sup> March 2023 (provisional) as against 11 days as on 31<sup>st</sup> March 2022. However, the inventory holding days stood high at 203 days as on 31<sup>st</sup> March 2023 (provisional) as compared to 184 days as on 31<sup>st</sup> March 2022. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from moderate collection mechanism and high inventory levels over the medium term.

### **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.321.74 Cr as on March 31, 2023 (Provisional) from Rs.256.81 Cr as on March 31, 2022 due to accretion of reserves. Previously, the cost of project 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 2.45 times as on March 31, 2023 (Provisional) as against 3.48 times as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.76 times as on March 31, 2023 (Provisional) as against 3.81 times as on March 31, 2022. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 3.76 times as on March 31, 2023 (Provisional) and Debt Service Coverage Ratio at 1.28 times as on March 31, 2023 (Provisional). Net Cash Accruals/Total Debt (NCA/TD) stood modest at 0.19 times as on March 31, 2023 (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 takes into account 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.63.91Cr as on March 31, 2023 (provisional) to be utilized for unforeseen exigencies. The company maintained Rs. 42 Cr in DSRA in every quarter of FY2023. The cash and bank balances of the company stood at Rs.0.94 Cr as on March 31, 2023 (Provisional) as compared to Rs.7.16 Cr as on March 31, 2022. However, net cash accruals stood at Rs.151.22 Cr in March 31, 2023 (Provisional) as against debt repayment obligation of Rs.104.91Cr. The current ratio stood below unity at 0.83 times as on March 31, 2023 (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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	250.25	239.55
PAT	Rs. Cr.	62.65	6.00
PAT Margin	(%)	25.04	2.50
Total Debt/Tangible Net Worth	Times	2.45	3.48
PBDIT/Interest	Times	3.76	1.76

### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Jul 2022	Proposed Bank Facility	Long Term	99.55	ACUITE BBB+   Stable (Reaffirmed)
	Secured Overdraft	Long Term	30.00	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	885.00	ACUITE BBB+   Stable (Reaffirmed)
29 Jun 2021	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)
	Term Loan	Long Term	88.02	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	303.47	ACUITE BBB+   Stable (Assigned)

## Annexure - Details of instruments rated

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