



Press Release
Tamilnadu Transmission Corporation Limited
December 29, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2056.97	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	2056.97	-	-

Rating Rationale

ACUITE has assigned its long term rating of **ACUITE BBB (read as ACUITE Triple B)** on the Rs.2056.97 Crore bank facilities of TamilNadu Transmission corporation limited (TANTRANSCO). The outlook is 'Stable'.

Rationale for rating assigned

The rating draws comfort from Tamil Nadu government's complete ownership of the company through Tamil Nadu Electricity Board and its strategic importance to Government of Tamil Nadu to cater electricity requirement of the state. The rating also considers the extended support of the state government in the form of grants and guarantees towards few of the existing debts of the corporation. The rating also factors in the recent tariff revision in September 2022 and linkage of tariff hike to CPI index resulted in increase in operating income to Rs 4256.73 Cr in FY 2023 as against Rs 3432.94 Cr in FY 2022. Further, rating considers the efficient working capital operations of the company with GCA days of 91 days in FY 2023. However, the rating is constrained by below average financial risk profile marked by negative net worth due to continuing losses and below unity coverage indicator. Further, it factors in the susceptibility of operating performance to transmission charges set by Tamil Nadu state electricity commission and stretched liquidity due to insufficient cash accruals to pay its debt obligation.

About the Company

Tamil Nadu Transmission Corporation Limited is a State Government entity, domiciled in India and incorporated in the year 2009 under the provisions of the Companies Act, 1956, and is headquartered in Chennai. The company became a wholly owned company by the GoTN and started functioning from 14 December 2009. The company was incorporated as part of Tamil Nadu Electricity Re-organization and Reforms Transfer Scheme notified by the GoTN and is engaged in the transmission of power in the State of Tamil Nadu. The current directors of the company are Mr.Rajesh Lakhoni, Mr.Thiru.Vishu Mahajan, Mr.T.Udhayachandran, Mr.Beela Rajesh, Ms.Pallavi Baldev, Mr.M.Ramachandran, Mr.D.Rajendran, Mr.R.Manivannan, Mr.K.Sundaravadhanam, Mr.R.Selvasekar and Ms.E.Shyamala.

Unsupported Rating

ACUITE BB/Stable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of TANTRANSCO to arrive at the rating. Acuité has also factored in benefits emanating from the ownership by

Government of Tamil Nadu. GoTN's financial support to TANTRANSCO is in the form of its 100 per cent ownership and its guarantee for certain borrowings of TANTRANSCO.

Key Rating Drivers

Strengths

Strategically important entity for Government of Tamil Nadu

Tamil Nadu Transmission Corporation limited (TANTRANSCO) is a wholly owned entity of GOTN through TNEB and holds a strategic importance to GOTN. TANTRANSCO is an electric power transmission system operator and serves transmission infrastructure network for power companies in Tamil Nadu. As per requirement of the Electricity Act 2003, Tamil Nadu electricity board (TNEB) is restructured into three companies namely TNEB, TANGEDCO (Tamil Nadu generation and Distribution Company) and TANTRANSCO. Final transfer scheme of restructuring is completed in the year 2015 by bifurcation of assets and liabilities between both the entities. TNEB continued to be holding company of TANGEDCO and TANTRANSCO, which is ultimately held by Government of Tamil Nadu. TANTRANSCO maintains the entire substations above 66Kv capacity.

Acuite believes that TANTRANSCO, being a 100 per cent undertaking of GoTN, shall continue to benefit from the financial, operational and management support from time to time.

Stable growth in revenue amid revision in tariff rates

Major source of revenue for the company is the transmission charges collected from TANGEDCO, which has witnessed the stable growth to Rs.3987.66 Cr in FY2023 from Rs.3225.85 Cr in FY2022 and Rs.2895.04 Cr in FY2021. The growth in transmission charges is attributable to revision of tariff rates in September'2022 where tariff rates are fixed at Rs.5159 per MV from previous rate of Rs.3037 per MV by TNEB. As per new scheme tariff rates are attached to CPI index and will be revised in July month of every year on year-on-year basis. As per last revision in July'2023, tariff rates are revised with 4 percent hike and fixed at Rs.5365 per MV. Acuite believes that company is likely to benefit from inflation linked tariff rates going forward.

Working capital efficient operations

The operations of the company are working capital efficient as reflected by is Gross current account (GCA) days of 91 days in FY2023(Prov) as against 117 days in FY2022 and 74 days in FY2021, GCA days are majorly dominated by debtor days. Debtor days of the company improved slightly and stood at 51 days in FY2023(Prov) as against 66 days in FY2022 and 18 days in FY2021. To support the working capital requirements company stretched its creditor days to 81 days in FY2023(Prov) as against 102 days in FY2022. Acuite believes that company's ability to manage working capital efficiently will remain key rating sensitivity going forward.

Weaknesses

Below Average financial risk profile

The financial risk profile of the company is marked below average by below average network, gearing ratio and debt protection metrics. Company's network continues to in negative territory due to continuous losses and stood at Rs.(3982.77) Cr as on March 31st 2023(Prov) as against Rs.(2689.17) Cr as on March 31st 2022 and Rs.(1781.29) Cr as on March 31st 2021 on account of accretion of profits. The gearing ratios of the company stood negative due to negative network and high capital outlay funded through debt at (7.49) times as on March 31st 2023(Prov) as against (10.42) times as on March 31st 2022 and (14.54) times as on March 31st 2021. In current year company is undergoing capex with estimated capital outlay of Rs.2693.19 Cr. Further, the total outside liabilities to tangible network(TOL/TNW) stood at (14.00) times as on March 31st 2023(Prov) as against (19.89) times as on March 31st 2022 and (27.74) times as on March 31st 2021. The net cash accrual to total debt (NCA/TD) stood at 0.02 in FY2023(Prov) as against 0.03 times in FY2022 and (0.07) times in FY2021. Debt protection of interest coverage ratio stood low at 1.13 times for FY2023(Prov) as against 0.96 times for FY2022 and (0.13) times for FY2021, DSCR stood below par at 0.61 times in

FY2023 as against 0.65 times in FY2022 and 0.12 times in FY2021. Debt/EBITDA stood high at 10.64 times as on March 31st 2023(Prov) as against 11.97 times as on March 31st 2022.

Acuite believes that financial risk profile of the company will continue to be below average and timely support from GoTN through equity infusion would be critical for sustaining the leverage indicators.

Susceptibility of operating performance to transmission charges set by Tamil Nadu Electricity Regulatory Commission (TNERC)

TANTRANSCO's revenue is influenced by regulatory framework governing the power sector. Revenues of companies such as TANTRANSCO are determined by Tamil Nadu State Electricity Regulatory Commission (TNERC). The TNERC considers key parameters like the cost structure and expected return on capital employed to arrive at transmission tariffs, wheeling and SLDC (State Load Dispatch Centre) charges. Any significant delays in tariff approvals or a reduction in return on equity or a tightening of the TNERC norms could result in lower operating cash flows. Acuite believes that any significant change in the regulatory environment will impinge on the credit profile of the company.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Credit profile of Government of Tamil Nadu
- Significant improvement in scale of operations while maintaining profitability
- Timely completion of capex
- Dynamics in the regulatory environment
- Any deterioration in financial risk profile leading to stretch in liquidity

All Covenants

None

Liquidity Position: Stretched

TANTRANSCO's liquidity is stretched marked by inadequate cash accruals to repay its maturing debt obligations. The company has reported cash accruals of Rs.690.21 Cr in FY2023 (Prov) against repayment obligation of Rs 2681.50, its accruals are expected in the range of Rs to 369.85 Cr in FY2024-25 against its repayment obligations of Rs.1807.05 Cr during the same period. Further, the current ratio of the firm stands at 0.05 times and cash and bank balances stood at Rs.70.47 Cr as on March 31, 2023(Prov). However, the working capital limits remain unutilized on an average for the last 6 months ended October 2023.

Outlook: Stable

Acuite believes that the TANTRANSCO will maintain 'Stable' outlook over the medium term from its strategic importance to the GoTN, experienced management and strong parentage. The outlook may be revised to 'Positive' if the company is successfully able to ramp up its scale of operations while improving its profitability and its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of unexpected further 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.	4256.73	3432.94
PAT	Rs. Cr.	(899.47)	(655.50)
PAT Margin	(%)	(21.13)	(19.09)
Total Debt/Tangible Net Worth	Times	(7.49)	(10.42)
PBDIT/Interest	Times	1.13	0.96

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

Brickworks Ratings vide its press release dated July 4th, 2023, downgraded TamilNadu Transmission Corporation(TANTRANSCO) to BWR BB+/stable as "ISSUER NOT CO-OPERATING" on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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

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

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE BBB Stable Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	600.00	ACUITE BBB Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	388.25	ACUITE BBB Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	500.00	ACUITE BBB Stable Assigned
PTC India Financials	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	428.72	ACUITE BBB Stable Assigned

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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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