



**Press Release**  
**TRANSMISSION CORPORATION OF TELANGANA LIMITED**  
**January 30, 2025**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	312.00	ACUITE A-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	312.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

ACUITE has assigned its long-term rating of **ACUITE A- (read as ACUITE A minus)** on the Rs.312.00 Crore bank facilities of Transmission Corporation of Telangana limited (TGTRANSCO). The outlook is **'Stable'**.

**Rationale for rating assigned**

The assigned rating takes into account the Government of Telangana's (GOT) full ownership of TGTRANSCO and its strategic role in meeting the state's electricity demands. It also reflects the recent multi-year tariff revision that will apply over the next five years. Additionally, the rating considers the company's strong net worth, stable operating margins, and moderate financial risk profile. However, the rating is constrained due to intensive nature of working capital operations, exposure to transmission charges set by the Telangana State Electricity Commission and its counterparty risk with state distribution entities Telangana State Southern Power Distribution Corporation Limited (TGSPDCL) and Telangana State Northern Power Distribution Corporation Limited (TGNDPCL), which have relatively weaker credit profiles.

**About the Company**

Transmission Corporation of Telangana Limited was incorporated in 2014. The company is engaged in the business of power transmission services for Telangana state. Present directors are Mr. Narsing Rao Bandari, Mr. Jagath Reddy Thummu, Mr. Narasinga Rao Gyara, Mr. Srinivasa Rao Cherukuri, Mr. Devalapalli Prabhakar Rao, Mr. Jonnada Surya Prakash, Mr. Ramakrishna Rao Kudligi and Mr. Dinakaran Bose Ronald Rose. The registered office of the company is in Telangana.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of TGTRANSCO to arrive at the rating. Acuite has also factored in benefits emanating from its 100 percent ownership by Government of Telangana.

**Key Rating Drivers**

**Strengths**

Strategic Importance to Government of Telangana (GOT)

TGTRANSCO is a state government entity with a 100 percent holding with Government of Telangana (GOT). Company is strategically important entity and serves as backbone of the power sector infrastructure of the state. It is a sole bulk power transmission company in state of Telangana. The company is a licensed entity for transmission and bulk supply of power in Telangana and primarily provides transmission services to the state utilities such as TGSPDCL (Telangana State Southern Power Distribution Corporation Limited) and TGNPDCL (Telangana state northern power Distribution Corporation Limited). Apart from this, the company also transmits power from other entities such as NTPC and other private power generators. Acuité believes that TGTRANSCO will continue to be benefitted for being a 100 per cent owned entity of GoT and

on account of its strategic importance to the GoT.

### **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by moderate network, gearing ratio and debt protection metrics. Company's network stood at Rs.6831.48 Cr. as on March 31st 2024 as against Rs.6099.29 Cr. as on March 31st 2023 and Rs.5793.94 Cr. as on March 31st 2022. Improvement in network is on account of accretion of profits and receipt of capital grants for installation of transmission lines for lift irrigation schemes in the state. The company has received capital grants amounting to Rs.4393.82 Cr. as on March 31st 2024 as against Rs.3771.27 Cr. as on March 31st 2023 and Rs.3592.28 Cr. as on March 31st 2022. Interest coverage ratio stood at 2.37 times in FY24 as against 2.55 times in FY23 and 2.37 times in FY22, while DSCR stood below unity at 0.85 times in FY24. The deterioration in DSCR is due to decline in revenue on account of adjustments in tariff rates during the year. Acuite believes that financial risk position of the company will continue to be moderate over the medium term.

### **Weaknesses**

#### **Intensive working capital operations**

TGTRANSCO's working capital operations are intensive in nature as reflected through the gross current asset days of 442 days in FY2024 against 375 days in FY2023 and 421 days in FY21. The elongation in GCA days is due to high debtors' days due to relatively weak counter party risk profile of TGSPDCL and TGNPDCL. The debtor days of the company stood at 324 days in FY2024 against 255 days in FY2023 and FY2022. Inventory days stood at 43 days in FY2024 against 49 days in FY2023 and 59 days in FY2022. Company does not have any short term limits, they manage the working capital through net cash accruals.

Acuite believes that working capital operations of the company will continue to be intensive in nature due to high debtor days and weak counter party risk profile.

#### **Susceptibility of operating performance to transmission charges set by Telangana Electricity Regulatory Commission (TGERC)**

TGTRANSCO's revenue is influenced by regulatory framework governing the power sector. Revenues of companies such as TGTRANSCO are determined by Telangana State Electricity Regulatory Commission (TGERC). The TGERC 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 TGERC norms could result in lower operating cash flows. During FY24, the company registered revenue of Rs.3220.67 Cr. as compared to Rs.3372.17 Cr. in FY23 and Rs.2954.77 Cr. in FY22. The decline in revenue in FY24 is due to adjustment of true up surplus of Rs.1081 Cr in FY24. Company has generated true up surplus of nearly Rs.1610 Cr. due to high multiyear tariff rates during 2019 to 2024 and company has not achieved the budgeted capex during the period which has resulted in true up surplus. However, the company maintained its operating profit levels in range of 64.17 percent to 66.17 percent during the previous three years.

### **Rating Sensitivities**

- Credit profile of Government of Telangana.
- 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

### **Liquidity Position: Stretched**

TGTRANSCO's net cash accruals is insufficient against its repayment obligations. However, the servicing of debt obligations is in timely manner by adjusting their working capital cycle. Acuite expects the improvement in cash flow position for FY25-26 and accordingly the cash accruals are expected to cover the repayment obligations. The current ratio of the company stood at 1.36 times and cash and bank balances stood at Rs.14.85 Cr. as on March 31, 2024. Acuite believes that the liquidity of the company is likely to improve over the medium term on account of revision in the tariff done in November 2024 for the current and subsequent fiscal years.

### **Outlook: Stable**

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	3220.67	3372.17
PAT	Rs. Cr.	144.39	304.45
PAT Margin	(%)	4.48	9.03
Total Debt/Tangible Net Worth	Times	1.53	1.89
PBDIT/Interest	Times	2.37	2.55

### 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>
- 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>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 :

Not Applicable

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2027	312.00	Simple	ACUITE A-   Stable   Assigned

## Contacts

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### About Acuité Ratings & Research

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