

Rating Rationale

May 22, 2017 | Mumbai

Bhopal Dhule Transmission Company Limited

'CRISIL AAA/Stable' assigned to bonds; long term rating upgraded

Rating Action

Total Bank Loan Facilities Rated	Rs.1658.25 Crore
Long Term Rating	CRISIL AAA/Stable (Upgraded from 'CRISIL AA-/Positive')

Rs.740 Crore Bonds	CRISIL AAA/Stable (Assigned)
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1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned a rating of '**CRISIL AAA/Stable**' to the bonds of Bhopal Dhule Transmission Company Limited (BDTCL). and also upgraded its rating on the long-term bank facilities to '**CRISIL AAA/Stable**' from 'CRISIL AA-/Positive'.

The rating upgrade reflects CRISIL's expectation of successful issuance of equity by India Grid Trust (IndiGrid; rated 'CCR AAA/Stable', an infrastructure investment trust of Sterlite Power Grid Ventures Ltd) and subsequent reduction of debt in BDTCL to Rs.1000 crore from Rs 1,529 crore as on March 31, 2017. The reduction in debt is expected to result in substantial improvement in the debt coverage indicators of the company strengthening its financial risk profile.

BDTCL along with Jabalpur Transmission Company Limited (JTCL) are the two operational transmission special purpose vehicles (SPVs) which are a part of IndiGrid. The proceeds raised through issuance of equity will be partly utilized for payment of debt at BDTCL and JTCL leading to significant debt reduction in both the entities. The rating also factors in maintenance of debt service reserve account equivalent to three months of debt obligations and the fact that IndiGrid will support BDTCL in case of any contingencies.

The rating further reflects BDTCL's stable revenue profile with healthy track record of maintaining line availability well above 99% and assured off-take under the transmission service agreement. Moreover timely collection of receivables under the point of connection (PoC) pool mechanism by Power Grid Corporation of India Ltd (PGCIL; rated CRISIL AAA/Stable/CRISIL A1+) and healthy debt coverage indicators support its credit profile.

CRISIL on December 2, 2016 had assigned a rating of '**CCR AAA/Stable**'¹ to IndiGrid driven by stable revenue profile of its underlying SPVs and a strong financial risk profile due to significant de-leveraging of these SPVs.

Key Rating Drivers & Detailed Description

Strengths

* **Low offtake risks as per contractual terms of TSA:** Revenue profile derives stability from Transmission Service Agreement (TSA), which ensures payment of stipulated tariff, subject to achievement of 98% line availability annually. If cumulative availability on an annual basis is below normative availability, revenue will reduce proportionately. Revenue is delinked from demand, supply and volatility in the price of electricity. Moreover, the reasons for which a line may become unavailable are easily rectifiable, which minimises outage time. The line availability at well above 99.0% since commissioning, which is in sync with the sectoral average is expected to be maintained at over 98% over the medium term.

* **Benefits of stable cash flow under the Point of Connection (PoC) pool mechanism:** Under the point of connection (PoC) pool mechanism, PGCIL, as the central transmission utility (CTU), collects monthly transmission charges on behalf of all the interstate transmission service (ISTS) licensees from all the designated ISTS customers (DICs). All ISTS licensees are then paid their share of transmission charges from the centrally collected pool by the CTU. This method diversifies counterparty risks, as the risk of default or delay by a designated customer is shared by all ISTS licensees, in proportion to their share in the centrally collected pool.

Weakness

* **Moderate O&M risks:** Revenue is subject to maintenance of the stipulated line availability, hence it is important that the line be maintained in a good condition reducing instances of tripping and minimising the outage time. This is because improper line maintenance may lead to revenue losses and weaken debt repayment capabilities. However, these risks are partially offset by the fact that O&M expenses form a small portion of the revenue and the activity is not technically challenging and highly routine in nature.

* **Average liquidity & moderate refinancing risks:** The terms of the debt stipulate that the company is required to maintain a debt service reserve account (DSRA) equivalent to 3 months of debt obligations. However, significant payment delays / prolonged non-payment by some of the larger counterparties may adversely impact the liquidity profile of BDTCL. Moreover, BDTCL's repayment structure exposes it to refinancing risks in the year of bullet repayment. This however, is

partially offset by the fact that the company has a 35-year concession period extending much beyond the repayment tenor and hence will enable BDTCL to refinance the bullet repayment.

Outlook: Stable

CRISIL believes that BDTCL will continue to generate stable cash flows backed by the project maintaining stipulated line availability, and implementation of the PoC pool mechanism for billing and collection. Also, the debt reduction to Rs 1,000 crore will result in a significant improvement in debt coverage indicators.

Downside scenario

* Debt reduction does not happen or the project faces issues in maintaining the stipulated line availability, or if there are delays in collection under the PoC mechanism.

About the Company

BDTCL is a wholly owned step-down subsidiary of Sterlite Power Transmission Ltd. The company's transmission project is for system strengthening, and involves the establishment of 765-kilovolt (kV) single-circuit lines in the Vadodara-Dhule-Aurangabad (Gujarat-Maharashtra) belt and the Indore-Bhopal-Jabalpur (Madhya Pradesh) belt. The project involves a total line length of about 975 kilometres and construction of two sub-stations at Bhopal and Dhule. This project has been awarded on a build-own-operate-and-maintain (BOOM) basis.

The project cost, including cost overrun, of about Rs.2115 Crore and was financed in a debt-to-equity-mix of 78:22. BDTCL has TSAs with 21 LTTCs, wherein revenue, though assured, is linked to availability of transmission lines.

¹ Stable outlook was assigned subsequently on April 17, 2017

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Rating Assigned with Outlook
NA	External Commercial Borrowings	NA	NA	31-Mar-2027	278.25	CRISIL AAA/Stable
NA	Term Loan 1*	NA	NA	30-Jun-2030	460.0	CRISIL AAA/Stable
NA	Term Loan 2*	NA	NA	30-Jun-2030	920.0	CRISIL AAA/Stable
NA	Bonds^	NA	NA	NA	740.0	CRISIL AAA/Stable

*to be withdrawn once these loans are repaid and no dues certificates regarding the same are received from the bankers

^ yet to be issued

Annexure - Rating History for last 3 Years

Instrument	Current			2017 (History)		2016		2015		2014		Start of 2014
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	740	CRISIL AAA/Stable		--		--		--		--	--
Fund-based Bank Facilities	LT/ST	1658.25	CRISIL AAA/Stable	04-05-17	CRISIL AA-/Positive	11-02-16	CRISIL A-/Stable	26-05-15	CRISIL BBB/Stable		No Rating Change	CRISIL BBB-/Stable

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
External Commercial Borrowings	278.25	CRISIL AAA/Stable	External Commercial Borrowings	278.25	CRISIL AA-/Positive
Term Loan*	1380	CRISIL AAA/Stable	Term Loan	1380	CRISIL AA-/Positive
Total	1658.25	--	Total	1658.25	--

*to be withdrawn once these loans are repaid and no dues certificates regarding the same are received from the bankers

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Power Distribution Utilities](#)

[CRISILs Bank Loan Ratings](#)

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