



Rating Rationale

Tamil Nadu Transmission Corporation Ltd

28 Aug 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹400.00 Crores of Tamil Nadu Transmission Corporation Ltd. ('TANTRANSCO')

Particulars

Facility	Previous Limits ₹ Crores	Present Limits ₹ Crores	Tenure	Rating History (Dec 2017)	Review Ratings*
Fund Based Working Capital	140.00	140.00	Long Term	Affirmation of rating at BWR BBB+ (Pronounced as BWR Triple B Plus) (Outlook: Stable)	BWR BBB+ (Pronounced as BWR Triple B Plus) (Outlook: Stable)
Fund Based Working Capital Term Loans	-- 260.00 (P)	10.00(P) 250.00(P)	Long Term	Provisional BWR BBB+ (Pronounced as Provisional BWR Triple B Plus) Outlook: Stable	Provisional BWR BBB+ (Pronounced as Provisional BWR Triple B Plus) Outlook: Stable
Non-Fund Based Letter of Credit (Sublimit of Working capital limit)	(5.00)	(5.00)	Short Term	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus)
Total	400.00	400.00	₹ Four Hundred Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

P: Proposed Loans.

Complete details of Bank Loan Facilities provided in Annexure-I

Note: Provisional Rating has been assigned assuming standard terms and conditions stipulated by bankers for term loans to public sector companies in the power sector. However, the ratings can be affirmed once the final terms of sanction are available.

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financials upto FY17, provisional profit and loss statement for FY18, projected profit and loss statement for FY19 and FY20, publicly available information and information/clarifications provided by Company's management.



The rating continued to derive comfort from company being wholly owned by the Government of Tamil Nadu, improvement in scale of operations, healthy EBITDA levels and moderate gearing level. However, the ratings are constrained by continuous reporting of net losses for the last three years partly due to the adjustment entries on final transfer of assets and ongoing capex plans in the transmission segment for setting up of additional transmission lines as well as substations which are primarily debt funded and substantial dependence on Government of Tamil Nadu (GoTN) for fund infusion in the form of equity and grants

Description of Key Rating Drivers:

- **Improvement in Scale of operations:** As per FY18 provisional financials, scale of operations improved by 11.94% i.e. from ₹ 2288.35 Crores in FY17 to ₹ 2561.58 Crores.
- **Moderate gearing levels:** In FY17, gearing level of the Company slightly deteriorated from 1.37X in FY16 to 1.57X in FY17 on account of increase in borrowings from Power Finance Corporation (PFC), Rural Electrification Corporation Limited (REC) and Japan International Cooperation Agency (JICA)
- **Improvement in Capital:** Tangible net worth of TANTRANSCO stood at ₹ 8450.70 Crs as on March 31, 2017 as against Rs. 8311.17 Crs as on March 31, 2016. Improvement in capital on account of receipt of NCEF grant from MNRE to an extent of Rs. 51.88 Crores, PSDF grant to an extent of Rs. 12.44 Crores and receipt of reserve grants from TNEB GPF, Property Insurance Reserve Etc.,

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Tamil Nadu Transmission Corporation Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Tamil Nadu Transmission Corporation Limited is a State Government Company, domiciled in India and incorporated in June 2009 under the provisions of the Companies Act, 1956, and is headquartered in Chennai. TANTRANSCO became a company wholly owned by the Govt. of Tamil Nadu & started functioning from 14-12-2009. The company was incorporated as part of Tamil Nadu Electricity (Re-organization and Reforms) Transfer Scheme notified by the Government of Tamil Nadu, and is engaged in transmission of power in the State of Tamil Nadu.

Company Financial Performance

As per FY18 provisional financials, scale of operations improved by 11.94% i.e. from ₹ 2288.35 Cr in FY17 to ₹ 2561.58 Cr. EBIDTA of the Company reported at ₹ 1214.40 Cr as against ₹ 1072.41 Cr in FY17. During FY18, TANTRANSCO reported net losses of Rs.386.70 Cr as against net losses of Rs.274.93 Cr in FY17. Increase in net losses in FY18 is mainly on account of increase in depreciation. Although the company reported net losses, company has earned net cash accruals of Rs.365.43 Cr in FY18 as against Rs.315.86 Cr in FY17.

Tangible net worth of TANTRANSCO stood at ₹ 8450.70 Crs as on March 31, 2017 as against Rs. 8311.17 Crs as on March 31, 2016. Gearing level of the Company slightly deteriorated from 1.37X in FY16 to 1.57X in FY17 on account of increase in borrowings. Interest service coverage ratio reported at 1.04X in FY17.

Rating History for the last three years

Instrument /Facility	Current Rating (2018)			Rating History			
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Dec 2017	March, 2017	2016	2015
Fund Based	Long Term	140.00	BWR BBB+ (Pronounced as BWR Triple B Plus) (Outlook: Stable) Reaffirmed	Affirmation of rating at BWR BBB+ (BWR Triple B Plus) (Outlook: Stable)	Provisional BWR BBB+ (Provisional BWR Triple B Plus) Outlook: Stable	--	
Fund Based	Long Term	260.00(P)	Provisional BWR BBB+ Pronounced as (Provisional BWR Triple B Plus) Outlook: Stable Reaffirmed	Provisional BWR BBB+ (Provisional BWR Triple B Plus) Outlook: Stable (Reaffirmed)			
Non Fund Based	Short Term	(5.00)	BWR A3+ (Pronounced as BWR A Three Plus) Reaffirmed	BWR A3+ (BWR A Three Plus) (Assigned)	--	---	
Total		400.00	₹ Four Hundred Crores Only				

P: Proposed

Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		Audited	Audited
Operating Revenue	₹ Crs	2305.44	2288.35
EBITDA	₹ Crs	1228.51	1072.41
PAT	₹ Crs	(263.40)	(274.93)
Tangible Net worth	₹ Crs	8311.17	8450.70
Total Debt/Tangible Net worth	In X	1.37	1.57
Current Ratio	In X	0.75	0.68

Annexure-I

Details of Bank Facilities

Name of the Bank	Name of Facility	Tenure	Limits ₹ Crores
State Bank of India	Cash Credit	Long Term	90.00
	Letter of Credit (Sublimit under CC)	Short Term	(5.00)
Canara Bank	ODBD (Against Book debts)	Long Term	50.00
Proposed Loans		Long Term	260.00
Total			400.00

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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