



Press Release

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Raichur Sholapur Transmission Company Private Limited

February 2, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund Based Facilities	240.00	IVR BBB - / Credit Watch with Developing Implications (IVR Triple B Minus under Credit Watch with Developing Implications)	Reaffirmed (Under Credit Watch with Developing Implications)
Total	240.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the rating assigned to the bank facilities of Raichur Sholapur Transmission Company Private Limited (RSTCPL) continues to derive comfort from its experienced promoters with assured revenue stream, low counter party risk and adequate support through creation of Debt Service Reserve Account (DSRA). These rating strengths are partially offset by net loss in operations on account of high depreciation (cash profit during the period under review is positive) and its leveraged capital structure. Infomerics believes that RSTCPL will be able to generate comfortable accruals on its own without dependence on its sponsors for any exigencies.

The rating has been placed under credit watch with developing implications as the company is planning to convert foreign currency loan to rupee term loan and Infomerics awaits more clarity on the timeline and impact of the foreign currency loan conversion on the company's credit profile.

Rating Sensitivities

Upward Factors:

- Containment of operational expenses leading to profitable operations on a sustained basis
- Improvement in capital structure with overall gearing below 2x



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Downward Factors:

- Moderation in the liquidity profile
- Deterioration in capital structure with overall gearing over 4x

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoters**

All the sponsors are experienced and established names in the field of execution of infrastructure projects.

- **Comfort drawn from Debt Service Reserve Account**

The liquidity profile of RSTCPL is expected to remain adequate marked by its available cash balance in DSRA account. RSTCPL is maintaining DSRA of ~Rs.13 crore (equivalent to ensuing six months/ two quarters debt servicing obligations). Also, the cash & bank balances (incl. DSRA balance) of RSTCPL as on December 31, 2020 was ~Rs.50 crore. Thus, RSTCPL is having strong liquidity position and has sufficient cash reserves to meet Debt Servicing obligations (in excess of DSRA requirements). Further, the annual net cash accruals are expected to cover the debt repayment obligations in the medium term.

- **Assured revenue stream**

The revenue is assured for the company as per the contract agreement. Under the contract, a fixed annual transmission charges (Annuity) to be received by the company. The charges are fixed at Rs. 35.2 crore p.a. for the first 11 years and Rs. 25.7 crore p.a. for the remaining period of the contract.

Key Rating Weaknesses



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- **Net Loss in operations**

The company has posted continuous net loss in its past years of operations. The loss is mainly on account of its fixed revenue nature of operations along with high interest cost and depreciation charges. However, there is cash profit in all the past three years. In FY20, the company has earned a GCA of Rs.24.46 crore as against a GCA of Rs.17.60 crore in FY19.

- **Leveraged capital structure**

The capital structure of the company continued to remain highly leveraged with overall gearing and TOL/TNW of 3.62x and 4.16x respectively as on March 31, 2020 as compared to 3.41x and 4.03x as on March 31, 2019 respectively. RSTCPL has availed term loan in foreign currency and any fluctuation in currency needs adjustment on balance sheet date. Consequently, rupee depreciation led to increase in absolute debt level (rupee term) as on March 31, 2020. However, in order to safeguard from foreign exchange fluctuation risk, RSTCPL hedges its foreign currency exposures through forward contracts.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity profile of RSTCPL is expected to remain adequate marked by its available cash balance in DSRA account. Further, the annual net cash accruals are expected to cover the debt repayment obligations in the near to medium term.

About the Company

Raichur Sholapur Transmission Company Private Ltd (RSTCPL) {erstwhile Raichur Sholapur Transmission Company Ltd, constitution changed in Nov, 2014} is a special purpose vehicle (SPV) incorporated in 2009 by REC Transmission Projects Company Limited). A consortium of Patel Engineering Limited (33.34%), Simplex Infrastructures Limited (33.33%) and M/s BS



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Limited (33.33%) was formed to bid for taking over RSTCPL. Accordingly, the deal was concluded on Jan 07, 2011. The project consists of establishment of 765 kV Single Circuit Transmission Line of around 208 km between Raichur (Karnataka) and Sholapur (Maharashtra) associated with Krishnapattnam UMPP – synchronous interconnection between Southern Region and Western Region on Build, Own, Operate and Maintain (BOOM) basis.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	36.35	36.37
EBITDA	30.47	29.55
PAT	-0.09	-0.08
Total Debt	244.13	258.58
Tangible Net worth	71.57	71.49
EBITDA Margin (%)	83.83	81.24
PAT Margin (%)	-0.21	-0.16
Overall Gearing Ratio (x)	3.41	3.62

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term loan	Long Term	240.00	IVR BBB- (Under Credit Watch with Developing Implications)	IVR BBB-/ Stable Outlook (Dec 26, 2019)	IVR A-(SO)/ Stable Outlook (Sep 28, 2018)	-



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 2044	240.00	IVR BBB-under Credit Watch with Developing Implications