

## Jaigad Power Transco Limited

January 05, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long Term Bank Facilities	96.35 (Reduced from 129.75)	CARE A+; Stable (Single A Plus; Outlook: Stable )	Reaffirmed
Short Term Bank Facilities	7.50	CARE A1+ (A One Plus )	Reaffirmed
<b>Total Bank Facilities</b>	<b>103.85</b> <b>(Rs. One Hundred Three Crore and Eighty-Five Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to facilities of Jaigad Power Transco Limited (JPTL) continues to derive strength from well-established and experienced promoter group (i.e. JSW Energy Limited, JEL rated CARE A+; Stable/ CARE A1+) in power industry, relatively low business risk due to integrated nature of the transmission system with cost-plus tariff and favourable financial risk profile and debt coverage indicators.

However, the rating strength continues to be tempered by counter party risk and regulatory risk related to tariff.

### Rating Sensitivities

#### Positive rating sensitivities

- Significant improvement in credit risk profile of counter party
- Rating upgrade of JSW Energy Limited

#### Negative rating sensitivities

- Significant deterioration in the credit risk profile of counterparty
- Inability to maintain transmission availability above 98% as per MERC guidelines
- Any new significant debt funded project expansion impacting the capital structure
- Increase in receivable days beyond 90 days on sustained manner
- Rating downgrade of JSW Energy Limited

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### **Well established and experienced promoter groups in power industry**

JPTL is joint venture between JEL (holds 74%) and Maharashtra State Electricity Transmission Company Limited (MSETCL, holds 26%, rated CARE A; Stable/CARE A1). Incorporated in 1994, JEL is the holding company for JSW group's power business. As of March 31, 2020 JSW group's consolidated operational capacity stood at 4.5 GW. JEL has qualified, professional and experienced management team with significant experience in the power sector. JEL also provides operation & maintenance services for power plants of the group companies and project management services for the power plants being set up by the group. JEL has successfully set up and is operating 860 MW thermal power plant at Vijaynagar, Karnataka, and a 1,200 MW imported coal based plant at Ratnagiri, Maharashtra. JEL, through JSW Energy (Barmer) Limited (subsidiary of JEL) owns and operates a 1,080 MW lignite based power plant in Barmer, Rajasthan. JEL has presence in renewable segment through operations of hydro project capacity of 1,300 MW in Himachal Pradesh and 10 MW solar capacities across various locations. MSETCL is wholly owned by Maharashtra State Electricity Holding Company Limited, which in turn is a Government of Maharashtra (GoM) entity. GoM fiscal position, barring the inability to maintain a zero revenue deficit, the state has been in adherence with the fiscal consolidation norms stipulated by the Finance Commission i.e. of maintaining the gross fiscal deficit at less than 3% of GSDP, interest as percentage of revenue receipts at less than 15% and debt as percentage of GSDP within the 25% norm. In FY20 (RE), the state is estimated to slip into revenue deficit at a record high of Rs. 31,443 crore, however in FY21 (BE) the revenue deficit of the state is budgeted to narrow at Rs. 9511 crore.

##### **Relatively low business risk due to integrated nature of the transmission system with cost-plus tariff**

JPTL's revenue is administered by Maharashtra Electricity Regulation Commission (MERC) under Multi Year Tariff (MYT) Regulations, 2015. On March 30, 2020 MERC vide its order approved tariff and Aggregate Revenue Requirement (ARR) for the 4th control period from FY2020-21 to FY2024-25. The Total transmission system cost is recovered through Intra-State Transmission System (InSTS) transmission tariff orders. This mechanism of fixing transmission charges ensures recovery of operation & maintenance expenses, interest expense, depreciation etc. and a post-tax return on equity (@ 15.5%). As per

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

MYT Regulations, JPTL is eligible for incentive on achieving Transmission availability above 98%. Under the MERC guidelines the incentive based on availability of transmission line is capped at 99.75%. The company reported actual availability of transmission line of 99.63%.

#### ***Favourable financial risk profile and debt coverage indicators***

Overall gearing of the company improved from 0.93 times as on March 31, 2019 to 0.53 times as on March 31, 2020 on account of reduction term borrowings. Subsequently, Total Debt to GCA of the company improved from 3.28 times as on March 31, 2019 to 1.99 times as on March 31, 2020. Interest coverage ratio of the company improved from 4.20 times in FY19 to 5.69 times in FY20 on account of lower interest & finance expenses. Going forward the company does not propose to incur any capital expenditure.

#### **Key Rating Weaknesses**

##### ***Counter party risk***

Transmission network of JPTL form part of Intra-State Transmission System (InSTS) of Maharashtra state. The transmission infrastructure set up JPTL as a transmission licensee primarily for evacuation of the 1,200 MW thermal power project of JEL's Ratnagiri plant. The major customer utilising the InSTS is Maharashtra State Electricity Distribution Company Limited (MSEDCL). Overall financial risk profile of the MSEDCL is relatively moderate. Any delay in payment of transmission charges would impact revenue visibility of the company. In case of a delay in payment by MSEDCL, State Transmission Utility (STU) would charge late payment fees, which will be passed on to the transmission licensee.

##### ***Regulatory risk related to tariff***

Aggregate Revenue Requirement (ARR) of the company is determined by the MERC under MYT guidelines for a period of 4 years subject to meeting of operational parameters. The key parameter is availability of transmission line. As per MERC the target availability of transmission line is 98%. Any deviation would impact the determination of ARR for the respective control period and truing –up.

#### **Industry Outlook**

With the resumption of economic activities gathering pace, business and commercial activity is expected to be higher in the remainder of the financial year. This would result in higher power demand and consequently electricity generation. However, the extent and sustainability of the same would be contingent on the pickup in industrial and commercial demand. Further, with the persistent high number of Covid-19 infections in the country, there is uncertainty regarding the imposition of fresh restrictions/lockdowns in the country which would impact economic activity and thereby power consumption.

For the full year FY2020-21 electricity demand and the consequently generation is likely to contract given the sharp fall in industrial and commercial activity during the year. Moreover, even with the unlock process, economic activity is unlikely to attain pre-lockdown level of activity in the current financial year.

#### **Liquidity analysis:**

**Liquidity:** Adequate

Free cash and cash equivalent of the company as on September 30, 2020 stood at Rs. 15.15 crore. Further, the expected gross cash accruals of JPTL in FY21 is expected to be around Rs. 49.53 crore compared to annual debt obligation of around Rs. 35.43 crore provides liquidity to be adequate.

With overall gearing of 0.53 times as on March 31, 2020, JPTL has sufficient gearing headroom to raise debt. However, the company does not propose any capital expenditure. Average collection days of the company marginally improved from 68 days as on March 31, 2019 to 63 days as on March 31, 2020.

#### **Analytical approach:** Standalone

While assigning rating of JPTL, CARE continues to consider operational linkage with JEL.

#### **Applicable Criteria**

[\*Criteria on assigning rating outlook and credit watch\*](#)

[\*CARE's Policy on Default Recognition\*](#)

[\*Criteria for Short Term Instruments\*](#)

[\*Rating Methodology: Notching by factoring linkages in Ratings\*](#)

[\*Rating Methodology – Power Transmission Projects\*](#)

[\*Financial ratios – Non-Financial Sector\*](#)

[\*Liquidity Analysis of Non-Financial Sector Entities\*](#)

### About the Company

JPTL, a Joint Venture between JEL and MSETCL, was set up to facilitate power evacuation from JELs operational 1,200 MW power plant in Jaigad, Ratnagiri district, Maharashtra as well as other power projects in the region and also transfer power from generation units to New Koyna and Karad.

Jaigad is located in the coastal region away from load centers as well as MSETCL's Extra High Voltage (EHV) substations. With JPTL's transmission lines, the region gets integrated with EHV Transmission System of Maharashtra. JPTL was awarded the Transmission License by Maharashtra Electricity Regulatory Commission (MERC) in February, 2009, which authorized the company to establish, operate & maintain the 400 kV Jaigad–New Koyna and Jaigad–Karad transmission system for a period of 25 years.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	81.65	81.34
PBILDT	76.84	76.02
PAT	24.10	28.13
Overall gearing (times)	0.93	0.53
Interest coverage (times)	4.20	5.69

A: Audited

CARE has adjusted financials of JPTL for analytical purpose.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	September, 2028	81.35	CARE A+; Stable
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE A+; Stable
Non-fund-based - ST-BG/LC	-	-	-	7.50	CARE A1+

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	81.35	CARE A+; Stable	1)CARE A+; Stable (10-Sep-20)	1)CARE AA- (Under Credit watch with Negative Implications) (20-Mar-20) 2)CARE AA- (Under Credit watch with Negative Implications)	1)CARE AA-; Stable (05-Oct-18)	1)CARE AA-; Stable (05-Oct-17)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
						(17-Oct-19)		
2.	Fund-based - LT-Cash Credit	LT	15.00	CARE A+; Stable	1)CARE A+; Stable (10-Sep-20)	1)CARE AA- (Under Credit watch with Negative Implications) (20-Mar-20) 2)CARE AA- (Under Credit watch with Negative Implications) (17-Oct-19)	1)CARE AA-; Stable (05-Oct-18)	1)CARE AA-; Stable (05-Oct-17)
3.	Non-fund-based - ST-BG/LC	ST	7.50	CARE A1+	1)CARE A1+ (10-Sep-20)	1)CARE A1+ (Under Credit watch with Negative Implications) (20-Mar-20) 2)CARE A1+ (Under Credit watch with Negative Implications) (17-Oct-19)	1)CARE A1+ (05-Oct-18)	1)CARE A1+ (05-Oct-17)

**Annexure-3:** N.A.

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-BG/LC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

### Analyst Contact

Ratnam Raju N

Contact no. - +91-22-6837 472

Email ID – ratnam.nakka@careratings.com

### Business Development Contact

Ankur Sachdeva

Contact no. : 022- 6754 3495

Email ID: Ankur.sachdeva @careratings.com

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**