



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Raichur Sholapur Transmission Company Private Limited

December 26, 2019

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank Facility	240.00	IVR BBB-/Stable (IVR Triple B minus with Stable outlook)	Revised from IVR A-(CE)/Stable (IVR Single A Minus [Credit Enhancement] with Stable Outlook)*
Total	240.00		

* Based on an unconditional and irrevocable guarantee of Simplex Infrastructures Limited and other sponsors on joint and several basis.

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in rating assigned to the bank facility of Raichur Sholapur Transmission Company Private Limited (RSTCPL) is due to removal of support of Simplex Infrastructures Limited (SIL) by Infomerics that was built into the ratings earlier from credit enhancement based on an unconditional and irrevocable guarantee of Simplex Infrastructures Limited and other sponsors on joint and several basis to standalone view on account of stabilisation of standalone operations of RSTCPL. The current rating considers the standalone business and financial risk profile of RSTCPL due to stated management posture where significant improvement has been envisaged in the liquidity profile of RSTCPL. Further, the rating derives comfort from its experienced promoters with assured revenue stream, low counter party risk and adequate support through creation of Debt Service Reserve Account (DSRA). The 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 moderate financial risk profile. However, Infomerics believes that RSTCPL going forward will be able to generate comfortable accruals on its own without dependence on Simplex Infrastructures Limited or its other sponsors for any exigencies.

Key Rating Sensitivities

Upward Rating Factor-

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- Containment of operational expenses leading to profitable operations on a sustained basis.
- Improvement in overall financial risk profile

Downward Rating Factor

- Moderation in liquidity profile
- Deterioration in capital structure

List of Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters

The sponsors are reputed names in the infrastructure space viz. Patel Engineering Limited (rated: IVR BBB/Positive/A3+), Simplex Infrastructures Limited and BS TransComm Limited. Though RSTCPL is the first venture for these companies in power transmission through 765KVA line, all the sponsors are highly experienced and established names in the field of execution of infrastructure projects.

Improvement in Liquidity and creation of Debt Service Reserve Account

The liquidity profile of RSTCPL is expected to remain adequate marked by its available cash balance in Debt Service Reserve Account (DSRA). RSTCPL is maintaining DSRA of Rs.13.2 crore (equivalent to ensuing 6 months/2 quarters debt servicing obligations). Also, the cash & bank balances in the Trust and retention Account (including DSRA balance) of RSTCPL as on Dec 16, 2019 was ~Rs.43 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.

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Key Rating Weaknesses

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 past three years. In FY19, the company has earned a GCA of Rs.17.60 crore.

Leveraged capital structure

RSTCPL's overall gearing and TOL/TNW stood at 3.41x and at 4.03x respectively as on March 31, 2019 as compared to 3.21x and 3.65x as on March 31, 2018 respectively. The moderation in the leverage ratios was due to erosion of net worth attributable to net loss incurred during FY19.

Analytical Approach: Standalone

Infomerics has revised the analytical approach and removed the support that was built into the ratings earlier from Credit Enhancement based on an unconditional and irrevocable guarantee of Simplex Infrastructures Limited and other sponsors on joint and several basis to standalone view on account of stabilisation of the standalone operations of RSTCPL.

Applicable Criteria

Rating Methodology for Infrastructure Companies

Financial Ratios and Interpretation (Non-financial sector)

Liquidity: Adequate

The liquidity profile of RSTCPL is expected to remain adequate marked by its available cash balance in DSRA. RSTCPL is maintaining DSRA of Rs.13.2 crore (equivalent to ensuing 6 months/2 quarters debt servicing obligations). Also, the cash & bank balances in the Trust and retention Account (incl. DSRA balance) of RSTCPL as on Dec 16, 2019 was ~Rs.43 crore. Thus, RSTCPL is has sufficient cash reserves to meet its near term debt Servicing obligations. Further, the annual net cash accruals are expected to cover the debt repayment obligations in the near to medium term.

About the Company

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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 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. Initially the tenure of ECB was for seven years vis-à-vis the project tenure of 35 years and accordingly repayment obligation was high and the company had to face cash flow mismatches which resulted in delay in servicing of its debt obligation. This had compelled the company to approach term lenders for Flexi-Structuring the loan under 5:25 scheme which was approved in May 2017 with a cut-off date of December 31, 2016 elongating the principal repayment period and the same was extended to 27 years with periodic refinancing ending on March, 2044.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	36.10	36.35
EBITDA	29.29	30.47
PAT	-0.02	-0.09
Total Debt	229.77	244.13
Tangible Net worth	71.63	71.57
EBITDA Margin (%)	81.15	83.83
PAT Margin (%)	-0.04	-0.21
Overall Gearing Ratio (x)	3.21	3.41

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Bank Facilities	Long Term	240.00	IVR BBB- /Stable	IVR A-(CE)/Stable (IVR Single A Minus [Credit Enhancement] with Stable Outlook)*	-	-

* Based on an unconditional and irrevocable guarantee of Simplex Infrastructures Limited and other sponsors on joint and several basis.

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. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities	-	-	March'2044	240.00	IVR BBB-/Stable