



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Raichur Sholapur Transmission Company Private Limited

September 28, 2018

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank facilities	240.00	IVR A-(SO)/Stable (IVR Single A Minus [Structured Obligation] with Stable Outlook)*	Assigned
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 rating assigned to the bank facilities of Raichur Sholapur Transmission Company Private Limited (RSTCPL) derives comfort from its experienced promoters, corporate guarantee from the promoters/sponsors, assured revenue stream and low counter party risk. However, the rating is constrained by RSTCPL's book loss in the past three years, and high overall gearing. Profitability, capital structure and credit profile of the guarantors are the key rating sensitivities.

List of Key Rating Drivers

- Experienced promoters;
- Corporate guarantee from the promoters;
- Assured revenue stream;
- Low counter party risk;
- Book loss in the past three years;
- High overall gearing;

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters

The sponsors are reputed names in the infrastructure space (like Patel Engineering Limited, Simplex Infrastructures Limited and BS Limited). Though RSTCPL is the first venture for these companies in



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power transmission through 765KVA line, all the sponsors are highly experienced and established names in the field of execution of infrastructure projects.

Corporate guarantee from the promoters

The bank facilities of RSTCPL is backed by a joint and several (unconditional & irrevocable) guarantee from its sponsors, Simplex Infrastructures Limited (rated A1/A1+ by Infomerics), Patel Engineering Limited, and BS Limited.

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 (i.e., seven years from now) and Rs.25.7 crore p.a. for the remaining period of the contract.

Low counter party risk

The company is receiving the transmission charges directly from Power Grid Corporation (acting as Central Transmission Utility [CTU]). Power Grid essentially acts as a collection agent from various inter-state customers. The monies received from these customers are pooled into one single account and then allocated to the various transmission utilities as per their designated revenue share. As indicated by the company's management, the share of RSTCPL's revenue is low in the pool of Power Grid and Power Grid is a highly established name in the domestic power sector. Accordingly; the counter party risk appears to be minimal; while there is bit of uncertainty associated with recovery of dues by Power Grid from various Dedicated Inter-state Customers.

Key Rating Weaknesses

Book Loss in the past three years

The company had posted book loss in its past three years of operation mainly on account of its fixed revenue nature of operation, on one hand, and high interest cost, depreciation charges, and other non-operating expenses. However, the company earned cash profit in all such years.

High overall gearing

The overall gearing ratio remained high at 3.21x as on March 31, 2018 (3.27x as on March 31, 2017) mainly due to its debt funded project. Further, Total debt to GCA also remained high in FY18. However, the debt servicing parameters like interest coverage, DSCR and TOL/Adjusted Networth were, by and large, comfortable in the last three years. Long-term debt to GCA has been high; but the repayment terms of ECB/Term Loan have been realigned by the lenders accordingly.

Analytical Approach & Applicable Criteria:

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Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Rating Methodology for Structure Debt Transactions (Non-securitisation transactions)

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 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 Dec 31, 2016 elongating the principal repayment period and the same was extended to 27 years with periodic refinancing ending on March, 2044.

Financials (Consolidated):

(Rs. crore)

For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	35.85	36.10
EBITDA	20.16	29.29
PAT	-2.92	-0.02
Total Debt	235.03	229.77
Tangible Net worth	71.67	71.63
EBITDA Margin (%)	56.22	81.15
PAT Margin (%)	-6.55	-0.04
Overall Gearing Ratio (x)	3.28	3.21

*Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits - Term Loan	Long Term	240.00	IVR A-(SO) / 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.

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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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	Dec-2016	LIBOR + 470bps#	Mar-2044	240.00	IVR A- (SO) /Stable Outlook

Interest payment & principal repayment are unconditionally & irrevocably guaranteed by all the sponsors jointly and severally.