

Transmission Corporation of Andhra Pradesh Limited

April 02, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bond Programme	975.00	975.00	[ICRA]D; reaffirmed
Total	975.00	975.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating assigned to the Rs. 975 crore bond programme of Transmission Corporation of Andhra Pradesh Limited (AP TRANSCO) at [ICRA]D (pronounced ICRA D).

Rationale

The reaffirmation of rating remains constrained by the non-adherence to the timelines prescribed in the structured payment mechanism for servicing of AP Transco Vidyut Bonds with respect to key features such as deposit of payments 7 days prior to due date and the non-invocation of Government guarantee by the trustee which led to delays in debt servicing in certain instances. The rating further remains constrained by the lack of regulatory disclosures required for listed debt. In addition, the rating remains tempered by the delay in finalisation of bifurcation of assets and liabilities between the two successor entities of AP TRANSCO i.e. Transmission Corporation of Telangana Limited (TS TRANSCO) and AP TRANSCO (for residual Andhra Pradesh) post bifurcation of the state of Andhra Pradesh in June 2014 because of which further disputes with respect to exact liabilities that are to be discharged by each of the entities cannot be ruled out.

Key rating drivers

Credit strengths

Regulated nature of operations –The operations of AP TRANSCO are regulated in nature and are guided by MYT (Multi Year Tariff) Principles approved by the State Electricity Regulatory Commission (SERC).

Vidyut Bonds serviced by budgetary support from the State Governments – The servicing of AP Transco Vidyut Bonds takes place via budgetary support from the Government of Andhra Pradesh and Telangana. The same does not utilise the cashflows of AP TRANSCO.

Credit challenges

Delay in finalisation of apportionment of assets and liabilities between AP TRANSCO and TS TRANSCO—Post bifurcation of the state of Andhra Pradesh in 2014, the assets and liabilities were bifurcated based on the AP Reorganisation Act, 2014. However, the finalisation of apportionment of assets and liabilities between various entities in the two states remains pending. This remains a risk as any issue of payment between the two states could impact the overall debt servicing pattern of the Vidyut Bonds. However, the final demerger plan has been approved as on date and the two entities have reached an agreement on various matters pertaining to bifurcation.

Delays in Debt Servicing in AP Transco Vidyut Bonds – The AP Transco Vidyut Bonds are being serviced by the states of Andhra Pradesh and Telangana based on provisional bifurcation of bonds. There were delays witnessed in the past due to non-adherence to the structured payment mechanism as per which the trustees did not invoke the Guarantee from the Government.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

AP TRANSCO was incorporated in the year 1998 subsequent to the first transfer scheme of State Electricity Reform Act for unbundling of erstwhile Andhra Pradesh State Electricity Board into two entities, Andhra Pradesh Transmission Corporation Limited and Andhra Pradesh Generation Corporation Limited (APGENCO). As per the Electricity act, 2003 “Transcos” are not allowed to trade in power, thus necessitating separation of trading and transmission functions. Currently, APTRANSCO is engaged in transmission and state load dispatch center activities. In accordance with the section 53 of The Andhra Pradesh Reorganisation Act, 2014, AP Transco has been bifurcated into two successor entities namely Transmission Corporation of Telangana Limited (TS Transco) and AP Transco (for residual Andhra Pradesh).

In FY2017, the company reported a net profit of Rs. 93.91 crore on an operating income(OI) of Rs. 1021.52 crore as compared to net profit of 92.44 crore on OI of Rs. 883.55 crore for FY2016.

Key financial indicators (audited)

	FY2016	FY2017
Operating Income (Rs. crore)	883.55	1,021.52
PAT (Rs. crore)	92.44	93.91
OPBDIT/ OI (%)	50.76%	51.88%
RoCE (%)	9.34%	8.87%
Total Debt/ TNW (times)	1.07	1.36
Total Debt/ OPBDIT (times)	6.70	7.68
Interest coverage (times)	3.49	2.58
NWC/ OI (%)	-61%	-70%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2018)					Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2016	Date & Rating in FY2015	
				April 2018	July 2017	April 2016	June 2014	
1 Bonds	Long Term	975.00	767.80*	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]A(SO); placed on watch with developing implications	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	Bonds Programme	2006-2008		2018-2024	975.00	[ICRA]D

Source: Transmission Corporation of Andhra Pradesh Limited

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