

February 06, 2020

India Grid Trust - Update on Material Event

Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Non-convertible Debenture (NCD)	500.00	[ICRA]AAA (Stable)
Market-linked Debenture (MLD)	200.00	[ICRA]AAA (Stable)
Total	700.00	
Issuer Rating	-	[ICRA]AAA (Stable)

Material Event

India Grid Trust (IndiGrid) on January 29, 2020, announced the acquisition of East North Interconnection Company Limited (ENICL) at a valuation of Rs. 1020 crore. ENICL operates two 400 kv inter-state transmission lines with 909 kms across Assam, Bihar and West Bengal. The two lines under ENICL are from Bongaigaon in Assam to Siliguri in West Bengal (443 ckm), and from Purnia to Biharsharif in Bihar (466 ckm). The Purnia-Biharsharif line has been operational since September 2013, while the Bongaigaon-Siliguri line has been operational since November 2014. The company has transmission service agreement (TSA) with 18 customers, with availability linked revenues, under the point of connection (PoC) mechanism. The balance tenure of the TSA is 15 years. ENICL is being acquired from Sterlite Power Grid Ventures Limited. The acquisition is proposed to be funded through new debt and is expected to be completed by March 2020, subject to securing required approvals from unitholders and regulators.

Impact of the Material Event

Post the completion of the acquisition of ENICL, the assets under management (AUM) for the trust will increase to ~Rs. 12,076 crore from the current level of Rs. 11,056 crore. The acquisition will be funded by external debt at IndiGrid level. Consequently, the net debt/AUM of the trust is expected to increase to about 49% from the current level of ~45%. IndiGrid has signed a framework agreement to acquire three additional assets (Gurgaon-Palwal Transmission Limited, Khargone Transmission Limited and NER-II Transmission Limited) over the next two years, which are expected to increase the Trust's net debt/AUM to ~67%. ICRA will continue to monitor the impact on the asset quality as and when the proposed acquisition is completed and the same will remain a key monitorable. While increase in the leveraging level is expected to moderate the debt coverage metrics going forward, business risk profile for the proposed inter-state transmission assets is expected to remain low, supported by stability and certainty of cash flows over the TSA period of 35 years and the low counterparty credit risk. Any material deviation in the valuation of proposed assets, resulting in any further increase in the leveraging level remains a key monitorable. Further, the ability to tie up external debt at a cost competitive rate and ensure the operations (including line availability) as per normative regulatory target levels remains critical from the credit perspective. Also, acquisition of assets other than inter-state transmission assets by the Trust would be a key rating sensitivity.

The previous detailed rating rationale is available on the following link: [Click here](#)

Analyst Contacts

Sabyasachi Majumdar

+91 124 4545304

sabyasachi@icraindia.com

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Vikram V

+91 40 40676518

vikram.v@icraindia.com

Relationship Contact

L Shivakumar

+91 22 6114 3407

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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