

May 27, 2024

## Essar Power Transmission Company Limited: Update on Material Event

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long term – Fund based - Term loan	1,092.0	1,092.0	[ICRA]BBB; rating watch with developing implications
Optionally convertible debenture	403.0	403.0	[ICRA]BBB; rating watch with developing implications
<b>Total</b>	<b>1,495.0</b>	<b>1,495.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

On May 16, 2024, it was announced by Adani Energy Solutions Ltd. (AEL) previously known as Adani Transmission Ltd. (ATL) that it has completed the acquisition of Essar Power Transmission Company Limited's (EPTCL) Stage-II transmission asset, comprising 336.5-ckm of transmission line across Madhya Pradesh and Chhattisgarh (Mahan-Sipat). The asset was acquired from Essar Transco Limited (ETL; 100% subsidiary of EPTCL) for an enterprise value of Rs. 1,900.0 crore.

Previously, EPTCL had filed a trifurcation petition before CERC, which led to EPTCL's Stage-I and Stage-II transmission assets being split as individual licensees with the Loop in-Loop Out (LILO) asset moving to a separate company (held by EPTCL). The Stage-II asset was transferred to ETL, which has now been 100% acquired by AEL. EPTCL continues to hold the Stage-I asset comprising the 105-ckm Gandhar-Hazira (Gujarat) transmission line. The Stage-I asset is also to be acquired, as part of which, EPTCL has signed a share purchase agreement (SPA) with ArcelorMittal Nippon Steel (AMNS), with the enterprise value yet to be determined. As per the understanding from the management, the transaction with AMNS for the Stage-I asset will be concluded shortly subject to regulatory approvals.

EPTCL has prepaid the entire debt availed (including optionally convertible debentures) to the lenders, utilising the proceeds received from the sale of the Stage-II transmission asset to AEL. While the Stage-II asset acquisition has been completed and the debt has been fully repaid, the sale transaction of the Stage-I asset with AMNS is still under process. The rating continues to remain under watch given that one leg of transaction is yet to be completed. Further the watch also signifies that the above rating would soon be withdrawn pursuant to EPTCL satisfying the conditions outlined in ICRA's policy on withdrawal of the ratings. The previous rating watch reflected the uncertainty around the sustainability of the company's liquidity profile/collections and the pending acquisition of the transmission assets.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology – Power Transmission</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial profile

## About the company

Essar Power Transmission Company Limited (EPTCL) has developed two transmission assets – Stage-I and Stage-II. Both the transmission assets are a part of the inter-state transmission system (ISTS) network.

The Stage-I transmission asset includes 127-ckm transmission line (including LILO) along with one sub-station in Gujarat which was commissioned in April 2013. The final transmission tariff order has been issued by the CERC at Rs. 79.92 crore.

The Stage-II transmission asset includes 336.5-ckm of transmission line across Madhya Pradesh and Chhattisgarh with seven bays at Mahan switchyard and two bays at Bilaspur. The Stage-II transmission asset was commissioned in September 2018. The project cost and final tariff approved by the CERC for the asset are Rs. 1517.0 crore and Rs. 336.0 crore, respectively.

## Key financial indicators

	FY2022	FY2023*
<b>Operating income</b>	426.0	443.5
<b>PAT</b>	31.3	106.8
<b>OPBDIT/OI</b>	93.7%	92.2%
<b>PAT/OI</b>	7.3%	24.1%
<b>Total outside liabilities/Tangible net worth (times)</b>	2.0	1.6
<b>Total debt/OPBDIT (times)</b>	3.4	3.1
<b>Interest coverage (times)</b>	2.1	2.4

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

Instrument	Type	Current Rating (FY2025)			Chronology of Rating History for the past 3 years					
		Amount Rated (Rs. crore)	Amount Outstanding as on May 27, 2024 (Rs. crore)	Date & Rating in May 27, 2024	Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022	
					Dec 05, 2023	Apr 04, 2023	Jun 14, 2022	Mar 04, 2022	Nov 11, 2021	
1	Term loan	1,092.0	0.0	[ICRA]BBB; rating watch with developing implications	[ICRA]BBB; rating watch with developing implications	[ICRA]BBB (Negative)	[ICRA]BBB+ %	[ICRA]BBB+ (Positive)	[ICRA]BBB (Stable)	
2	Optionally convertible debentures	403.0	0.0	[ICRA]BBB; rating watch with developing implications	[ICRA]BBB; rating watch with developing implications	[ICRA]BBB (Negative)	[ICRA]BBB+ %	[ICRA]BBB+ (Positive)	-	

#: Rating Watch with Positive Implications

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Term Loan	Simple
Optionally Convertible Debenture	Moderately complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

**Annexure-I: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term loan	FY2021	14.50%	FY2043	1,092.0	[ICRA]BBB; rating watch with developing implications
INE224L07020	Optionally convertible debentures	FY2021	3.0%	FY2043	283.0	[ICRA]BBB; rating watch with developing implications
INE224L07012	Optionally convertible debentures	FY2021	3.0%	FY2043	120.0	[ICRA]BBB; rating watch with developing implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure-II: List of entities considered for consolidated analysis: Not Applicable**

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