May 31, 2024

PTC India Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term - Fund-based facilities	2,000.00	2,000.00	[ICRA]A1+; reaffirmed
Short-term - Non-fund based facilities	3,500.00	3,500.00	[ICRA]A1+; reaffirmed
Commercial paper	300.00	300.00	[ICRA]A1+; reaffirmed
Total	**5,800.00**	**5,800.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of the rating favourably factors in the leadership position of PTC India Limited (PTC) in the domestic power trading market and its healthy trade margins despite a moderation in trading volumes. While the net surcharge income moderated due to the implementation of the Late Payment Surcharge Scheme, 2022, higher collections from discoms have improved the company's liquidity. Additionally, the company's profitability is supported by the stable and growing income from consultancy services. Going forward, while the surcharge income is expected to moderate on expectations of timely payments from discoms, the liquidity position is likely to remain strong. Volume addition in long-term trade (LTT)/medium-term trade (MTT, potential for new PPAs with renewable energy developers) will also improve and support the profitability.

While the company has close business, financial and managerial linkages with PTC Energy Limited (PEL), ICRA has considered the standalone financials of PTC as it is expected to complete the sale of its entire stake in PEL shortly. PTC India Financial Services Ltd (PFS) has been excluded to make a distinction between the trading and the financial services businesses. PTC has not extended any loan or corporate guarantee to PFS till date and the assigned rating does not factor in any financial support to the trading arm. Any extraordinary support to PFS that affects the company's liquidity/coverage metrics will be a key monitorable. ICRA has also taken note of the corporate governance issues in PFS raised by the former Independent Directors of PFS and PTC and will continue to monitor the developments in this regard.

The rating continues to be supported by the company's ability to manage contractual and payment-related risks inherent in the power trading business. The contractual terms in both the power purchase agreements (PPAs) and power sale agreements (PSAs) in the long term and the medium term segments are back-to-back in nature. PTC, however, is exposed to significant counterparty credit risks as its main offtakers are state power utilities, most of which are financially weak. Nevertheless, an experienced management and a prudent monitoring of the receivables and payables is expected to limit the exposure at any given time. PTC's liquidity continues to be strong, driven by unutilised limits of ~Rs. 1,923 crore and cash and liquid funds of ~Rs. 608 crore as on December 31, 2023 on a standalone basis.

ICRA takes note of the limited upside in the LT segment and moderation in margins in the ST segment, given the growing share of exchange-traded sales. The rating reflects the benefits that PTC will derive from being a market leader in the power trading segment, as well as its ability to effectively manage its contractual and payment-related risks and also to limit its net receivables exposure (receivables less payables) to discoms.

Key rating drivers and their description

Credit strengths

Dominant share in short-term trade despite competition – PTC is the largest player in the Indian power trading market, with a market share of 35% of the total volume traded by trading licensees in the ST segment in FY2023 (source: CERC). The company is likely to maintain its dominant market position despite intense competition. PTC benefits from its significant presence in long-term and medium-term trade, which helps to cushion any fluctuation in short-term volumes and margins.

Stable trading margins in LTT/MTTs – PTC has a strong portfolio for LT power trade, wherein it has back-to back PPAs with the developers and PSAs with the discoms for the purchase and sale of power, respectively. The profitability is mainly derived from LTT/MTT trade as its contribution in absolute terms to the overall gross margins is more than 80% and provides stability to the volatile short-term trade margins which vary with the market prices on the power exchanges. The trading margins continue to be healthy for the company. Income from the core trading business is supported by net rebate and the surcharge income the company earns on account of early payments to generators or payment delays from discoms, respectively. The surcharge income declined to Rs. 86 crore in 9M FY2024 against Rs. 105 crore in 9M FY2023 due to timely payments from discoms while the net rebate income remained healthy at Rs. 95 crore in 9M FY2024 against Rs. 79 crore in 9M FY2023.

Effective management of contractual risks – While the LT/MT trade is lucrative because of its relatively high and stable margins, it carries significant contractual risks on both the PPA and the PSA side. PTC, with its long track record and strong connect with utilities, has effectively managed these risks by having contractual safeguards in place, such as allowing third-party sales (in case of delays in payments from discoms), rebate for timely payments, late payment surcharge for delays in payments, presence of LCs as a payment security mechanism, termination liabilities, penalty for non-offtake by a discom and bank guarantee from the project developer guaranteeing supply of the agreed power. These terms are back-to-back in nature in both the PPAs and the PSAs.

Strong liquidity position – The company's liquidity profile is strong, aided by sizeable undrawn sanctioned limits worth Rs. 1,923 crore and cash and liquid balances of ~Rs. 608 crore as on December 31, 2023 on a standalone basis. The healthy operational profile of the core trading business coupled with the minimal capex and debt servicing requirements support the company's strong liquidity position.

Credit challenges

Significant counterparty risks due to poor financial health of discoms – PTC is exposed to the counterparty credit risks of its offtakers — the state power utilities. The risk is mitigated to an extent by the distributed profile of its counterparties and the presence of contractual safeguards. Although the terms of the payment are back-to-back in both the PPAs and the PSAs, the company is obligated to make the payments to the developers even if the discoms delay their payments. Implementation of the Late Payment Surcharge Scheme. 2022 has significantly improved the payment discipline of discoms.

Environmental and Social Risks

Environmental considerations - PTC India Limited exhibits low environmental risks as majority of its revenue is derived from the trading of power among a diversified customer base and hence has low exposure to the lack of availability of natural resources, the possibility of not meeting the desired emission norms and carbon transition risks.

Social considerations - PTC India Limited has low social risks as it is largely engaged in the business of power trading which involves the purchase and sale of power, enabling optimal utilisation of resources.

Liquidity position: Strong

PTC's liquidity is strong, supported by sizeable undrawn sanctioned limits worth Rs. 1,923 crore and cash and liquid balances of ~Rs. 608 crore as on December 31, 2023 on a standalone basis. The healthy operational profile of the core trading business coupled with the minimal capex and debt servicing requirements support the company's strong liquidity position.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on PTC's rating could arise if there is a significant build-up of net receivables for a prolonged period of time, increasing the leverage and weakening the liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone; PTC India Financial Services Ltd (PFS) has been excluded to make a distinction between the trading and the financial services businesses

Note (for analyst reference only):

About the company

PTC India Limited was founded in 1999 to promote power trading in the country. The company's promoters are Power Grid Corporation of India Limited (PGCIL), NTPC Limited (NTPC), Power Finance Corporation Limited (PFC) and NHPC Limited (NHPC). PTC has been the pioneer in developing and implementing the concept of power trading in India. At present, it is a category-I licence holder (defined as per CERC guidelines), which permits the highest volumes of trading. In FY2024, the volume of traded units stood at 74.8 billion. Over the years, PTC has diversified its service offering in the power sector by setting up an investment vehicle — PFS — for providing financial solutions in the energy value chain. PTC has also set up another company — PEL — which is involved in the development and operations of wind power projects and has an installed capacity of 288.8 MW.

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	34,278.1	31,729.1
PAT	424.8	369.7
OPBDIT/OI	1.8%	1.4%
PAT/OI	1.2%	1.2%
Total outside liabilities/Tangible net worth (times)	1.8	1.3
Total debt/OPBDIT (times)	2.0	0.5
Interest coverage (times)	16.2	15.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					May 31, 2024	May 31, 2023	May 31, 2022	May 31, 2021 and Jan 28, 2022
1	**Fund-based facilities**	Short term	2000.00	-	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**
2	**Non-fund based facilities**	Short term	3500.00	-	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**
3	**Commercial paper**	Short term	300.00	-*	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**

Yet to be placed

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based facilities	Simple
Non-fund based facilities	Very Simple
Commercial paper	Very Simple

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 analysing 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 are 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	**Fund-based facilities**	-	-	-	2000.00	[ICRA]A1+
NA	**Non-fund based facilities**	-	-	-	3500.00	[ICRA]A1+
NA	**Commercial paper**	-	-	-	300.00*	[ICRA]A1+

Source: Company
**Yet to be placed*

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

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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