

August 08, 2025

## Kudgi Transmission Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	1,200.00	1,200.00	[ICRA]AAA (Stable); reaffirmed
Non-convertible debentures	48.00	0.00	[ICRA]AAA (Stable); reaffirmed & withdrawn
<b>Total</b>	<b>1,248.00</b>	<b>1,200.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating assigned to the Rs. 48.0-crore non-convertible debenture (NCD) programme (ISIN - INE945S07108) of Kudgi Transmission Limited (KTL) has been reaffirmed and withdrawn in line with ICRA's policy on rating withdrawal, as these debentures have been redeemed in full and there are no dues outstanding against them.

The rating reaffirmation considers the continued stable operating performance of the power transmission project under KTL, with the line availability remaining over 99% in FY2025, leading to a stable revenue stream, including incentives for higher-than-normative availability (98.0%) and a strong liquidity. The rating continues to derive strength from the operational nature of the project and a long-term (35-year) transmission service agreement (TSA) with availability-linked tariff payments.

The rating further favours factors in the low counterparty credit risk due to the strong payment security mechanism for the underlying inter-state power transmission assets of KTL. The Central Transmission Utility (CTU) is responsible for collecting the transmission charges from the beneficiary users and disbursing the same to the inter-state transmission licensees. The CTU function is managed by the Central Transmission Utility of India Limited (CTUIL), a 100% subsidiary of Power Grid Corporation of India Limited (PGCIL). The collection efficiency remained healthy at 108% in FY2025.

The rating also takes support from the comfortable debt coverage metrics of the project and the structural features of NCDs including a debt service reserve and a cash trap mechanism.

However, KTL is exposed to operations and maintenance (O&M) related risks, including the increase in cost, inadequate maintenance resulting in lower line availability and potential deductions from transmission charges by the CTU. Nonetheless, the relatively low complexity in O&M activities, the stable performance so far and the fixed-price (including disincentive for lower line availability) O&M contracts valid till FY2028 mitigate this risk to an extent. Going forward, the rating would remain sensitive to KTL's ability to maintain the operating costs within the budgeted level and keep the line availability above the target levels.

The Stable outlook on the rating indicates ICRA's expectations that KTL will continue to benefit from the stable nature of its cash flows, with healthy line availability and timely payments.

### Key features of the NCD programme

- Debt service reserve account (DSRA) equivalent to 12 months' debt servicing
- Cash trap mechanism in case of debt service coverage ratio falling below 1.1 times
- Structured payment mechanism designed to ensure timely payment of the rated NCDs
- If the rating falls to or below AA-, the debenture trustee is entitled to ask the issuer for redemption of NCDs within 180 days

- The issuer has a call option on the NCDs at the end of 10 years (call option 2), 15 years (call option 3) and 20 years (call option 4) from the issuance date. In case the issuer does not exercise the call option 2, the coupon rate on the NCDs shall increase by 50 bps

## Key rating drivers and their description

### Credit strengths

**Operational transmission project with stable revenue visibility** – KTL’s power transmission project has been operational since September 2016 and has a track record of stable revenues. As per the TSA, KTL will receive fixed transmission charges of Rs. 196.29 crore per annum during the TSA period, subject to the maintenance of a minimum line availability of 98%, which will render revenue stability. Over the past nine years, the company has shown a healthy track record of line availability (except for force majeure events) of more than 99%, leading to incentives in addition to fixed charges.

**Strong payment security for inter-state transmission assets** - The transmission project under KTL is a part of the inter-state transmission grid, which enjoys strong payment security because of the pooling benefit at the national level. The CTU is responsible for raising bills and collecting payments from the consumers of the transmission system and distributing the payments among various inter-state transmission licensees.

**Strong liquidity position, comfortable debt coverage metrics and support from structural features in NCDs** – ICRA’s rating derives strength from the structural features of the NCD like presence of an escrow mechanism, a debt service reserve account (equivalent to 100% of annual principal and interest obligations), cash trap triggers if the DSCR falls below 1.1 times, and a payment mechanism designed to ensure timely payments to investors. Further, the liquidity position of the company is strong, with its cash, bank balance, and liquid investments of Rs. 338 crore as on June 30, 2025 including a 12-month debt service reserve (DSRA). Moreover, the company’s debt coverage metrics remain comfortable with healthy buffer between the cash flow from operations and debt servicing obligations.

### Credit challenges

**Moderate operations and maintenance risks** – KTL’s cash flows are linked to the project’s line availability, which would depend on the quality of the asset and timely O&M. However, the project’s healthy overall performance so far mitigates the risk to an extent. Although O&M and other expenses form a small portion of the revenues, increase in such expenses could deteriorate the cash flow from operations as the inflows are fixed in nature. ICRA notes that KTL has signed a fixed-price (including disincentive for lower line availability) O&M contract valid till FY2028, which provides some comfort.

### Liquidity position: Strong

The liquidity of KTL is strong, reflected in its cash, bank balance and liquid investments of Rs. 338 crore (including DSRA) as on June 30, 2025, and projected net cash flow from operations of over Rs. 200 crore against a repayment obligation of Rs. 160-165 crore each in FY2026 and FY2027. Currently, the company has no capital expenditure requirement. Besides, the returns from liquid funds maintained by the company are expected to provide cushion to the cash flows.

### Rating sensitivities

**Positive factors** – Not Applicable.

**Negative factors** – Pressure on KTL’s rating could arise if lower-than-targeted line availability or increased expenses result in a deterioration of the ICRA-projected cumulative DSCR to lower than 1.20 times. In addition, elongation in the payment cycle of transmission charges from the CTU to over 135 days, on a sustained basis, or reduction in KTL’s liquidity below the stipulated DSRA amount plus accrued debt servicing could exert pressure on its rating.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Power Transmission</a> <a href="#">Policy on withdrawal of Credit Ratings</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

## About the company

Kudgi Transmission Limited (KTL) is a 100% subsidiary of Infrastructure Yield Trust (through its various schemes). The project involved the construction of 400/765 kV double circuit (D/C) quad lines of 482 km in Karnataka on a build, own, operate and maintain (BOOM) basis to evacuate power from the Kudgi thermal power plant of NTPC Ltd. The project achieved commercial operations date (COD) in September 2016. KTL transmits power to the discoms of the five southern states (Andhra Pradesh, Telangana, Karnataka, Kerala and Tamil Nadu) at the quoted annual transmission charges of Rs. 196.29 crore, subject to the terms specified in the TSA.

## Key financial indicators (audited)

KTL (standalone)	FY2024	FY2025
Operating income	188.7	202.2
PAT	82.9	104.9
OPBDITA/OI	88.9%	91.5%
PAT/OI	43.9%	51.9%
Total outside liabilities/Tangible net worth (times)	4.2	4.3
Total debt/OPBDITA (times)	9.6	8.5
Interest coverage (times)	1.4	1.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDITA: 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

Current (FY2026)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		Rating
			Aug 08, 2025	Date	Rating	Date	Rating	Date	
NCD	Long term	1,200.0	[ICRA]AAA (Stable)	16-AUG-2024	[ICRA]AAA (Stable)	18-AUG-2023	[ICRA]AAA (Stable)	19-AUG-2022	[ICRA]AAA (Stable)
			-	-	-	-	-	27-DEC-2022	[ICRA]AAA (Stable)
NCD	Long term	48.0	[ICRA]AAA (Stable); withdrawn	-	-	-	-	-	-
NCD	Long term	0.0	-	16-AUG-2024	[ICRA]AAA (Stable); Withdrawn	18-AUG-2023	[ICRA]AAA (Stable); Withdrawn	19-AUG-2022	[ICRA]AAA (Stable)
			-	-	-	-	-	27-DEC-2022	[ICRA]AAA (Stable)

## Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debenture (NCD) programme	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	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE945S07108	NCD-2- Series H	31-Mar-17	8.80%	25-Apr-25	48	[ICRA]AAA (Stable); Withdrawn
INE945S07116	NCD-2- Series I	31-Mar-17	8.80%	25-Apr-26	52	[ICRA]AAA (Stable)
INE945S07124	NCD-2- Series J	31-Mar-17	8.80%	25-Apr-27	55	[ICRA]AAA (Stable)
INE945S07132	NCD-2- Series K	31-Mar-17	9.14%	25-Apr-28	59	[ICRA]AAA (Stable)
INE945S07140	NCD-2- Series L	31-Mar-17	9.14%	25-Apr-29	63	[ICRA]AAA (Stable)
INE945S07157	NCD-2- Series M	31-Mar-17	9.14%	25-Apr-30	67	[ICRA]AAA (Stable)
INE945S07165	NCD-2- Series N	31-Mar-17	9.14%	25-Apr-31	72	[ICRA]AAA (Stable)
INE945S07173	NCD-2- Series O	31-Mar-17	9.14%	25-Apr-32	75	[ICRA]AAA (Stable)
INE945S07181	NCD-2- Series P	31-Mar-17	9.50%	25-Apr-33	80	[ICRA]AAA (Stable)
INE945S07199	NCD-2- Series Q	31-Mar-17	9.50%	25-Apr-34	87	[ICRA]AAA (Stable)
INE945S07207	NCD-2- Series R	31-Mar-17	9.50%	25-Apr-35	93	[ICRA]AAA (Stable)
INE945S07215	NCD-2- Series S	31-Mar-17	9.50%	25-Apr-36	101	[ICRA]AAA (Stable)
INE945S07223	NCD-2- Series T	31-Mar-17	9.50%	25-Apr-37	106	[ICRA]AAA (Stable)
INE945S07231	NCD-2- Series U	31-Mar-17	9.50%	25-Apr-38	90	[ICRA]AAA (Stable)
INE945S07322	NCD-2- Series V	31-Mar-17	9.50%	25-Apr-39	96	[ICRA]AAA (Stable)
INE945S07330	NCD-2- Series W	31-Mar-17	9.50%	25-Apr-40	104	[ICRA]AAA (Stable)

Source: Company

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

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