

August 18, 2025

North East Transmission Company Limited: Rating upgraded to [ICRA]AAA (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	641.14	480.13	[ICRA]AAA (Stable); upgraded from [ICRA]AA+ (Stable)
Total	641.14	480.13	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade factors in North East Transmission Company Limited's (NETCL) favourable refinancing of its project debt, with an elongated repayment tenor, thereby significantly improving its debt coverage metrics. The company enjoys high revenue and cash flow visibility, driven by availability-linked tariff payments for its inter-state power transmission project with the presence of a long-term transmission service agreement (TSA), according to the cost-plus tariff framework norms of the Central Electricity Regulatory Commission (CERC). The rating also considers NETCL's strong operational profile, with the company achieving a line availability of 99.8% over the last five years ending FY2025, well above the normative availability defined by the CERC, leading to full tariff recovery as well as incentives. The transmission line owned by NETCL is a critical link for power transmission in the northeastern region.

Further, ICRA draws comfort from the low counterparty credit risk arising out of diversification under the collection framework for inter-state transmission licencees (ISTS), wherein the Central Transmission Utility (CTU) is responsible for collecting the transmission charges from the beneficiary users and disbursing the same to the ISTS licencees. This is evident from the superior collection efficiency levels so far, a trend that ICRA believes is likely to continue. ICRA notes that the CERC has approved the entire capital cost petitioned by the company (additional capital expenditure to be reviewed at the time of true-up), leading to recovery of capital cost incurred along with a fixed return on equity. A well-defined regulatory framework, low operating risks in a transmission line project and a strong collection efficiency are expected to lead to stable cash collections for the company.

Also, comfort is drawn from the company's strong liquidity position, driven by sizeable cash and liquid funds maintained by the company. While NETCL is not contractually obligated to maintain any cash reserve for debt servicing, ICRA notes that the company has historically maintained adequate liquid funds and is expected to continue to maintain it in the future as well. A moderation in the liquidity profile due to a higher-than-envisaged dividend payout would be a key monitorable for the assigned rating.

However, NETCL's rating is exposed to operating & maintenance (O&M) risks, including the risk of inadequate maintenance especially given the single-asset operations in a difficult terrain as well as higher-than-normative O&M costs as seen historically. The higher-than-normative O&M costs have moderated the returns for the project. Moreover, NETCL's operations remain exposed to the regulatory risk pertaining to any adverse changes in the CERC's cost-plus tariff norms.

The Stable outlook on the rating reflects ICRA's opinion that NETCL will continue to benefit from its cost-plus tariff operations, ability to maintain higher-than-normative transmission line availability and a strong collection efficiency.

Key rating drivers and their description

Credit strengths

Comfortable debt coverage metrics – NETCL has refinanced its term debt in FY2025 with an elongated repayment tenor, thereby significantly improving its debt coverage metrics. In the past, NETCL has also prepaid the term debt at regular intervals. Going forward, the overall financial profile is likely to remain comfortable, supported by stable revenue, largely predictable cost structure, efficient collection mechanism and adequate tail period.

Strong operational profile - The transmission line availability has remained superior, with a minimum availability of 99.8% in the last five years against the normative availability requirement of 98.0% for the recovery of annual fixed cost. This bodes well because if the availability of the line remains above 98.5%, the company will not only be able to recover its entire fixed charges but also be eligible for incentive income. NETCL also earned an incentive of Rs 3.2 crore in FY2025.

Further, the CERC has approved the entire capital cost petitioned by the company (additional capital expenditure to be reviewed at the time of true-up). This removes any uncertainty over the company's ability to realise the regulated returns (which cover all costs and allow for 15.5% return on regulated equity base), subject to maintaining the normative levels of T/L availability and operating costs within the normative levels, as the tariff is of cost-plus nature. Also, NETCL's power transmission project has presence of a long-term transmission service agreement (TSA).

Healthy collection efficiency, aided by pooling framework applicable for inter-state transmission licencees - The company's average collection efficiency remained satisfactory at 101% in FY2025. The asset developed is an ISTS line. Hence, it is the responsibility of CTU to bill and collect the payments on behalf of NETCL.

Credit challenges

Exposure to O&M risks - Although O&M and other expenses form a small portion of the revenues, NETCL's higher-than-normative O&M costs, given the single-asset operations in a difficult terrain, moderated the realised returns in the past. As inherent in the power transmission project, NETCL's cash flows are linked to the project's line availability, which would depend on the quality of the asset and timely O&M. Inadequate line maintenance will result in revenue loss thereby weakening debt servicing capability. However, the project's healthy overall performance so far mitigates the risk to an extent.

Liquidity position: Strong

NETCL's liquidity is strong, supported by the sizeable cash and liquid funds maintained by the company (Rs. 64.0 crore as on June 30, 2025) and healthy cash flow from operations in relation to the debt servicing obligations. While the company is not contractually obligated to maintain any cash reserve for debt servicing, ICRA notes that the company has historically maintained adequate liquid funds and is expected to continue to maintain it in the future as well. The regulated nature of operations, the superior transmission line availability and the strong collection efficiency should ensure adequate cushion for the company's debt servicing (annual debt repayments of Rs. 116.0 crore in FY2026).

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – Pressure on NETCL's rating could arise if the debt coverage indicators deteriorate, led by lower than-normative line availability on a sustained basis or any delays in collecting payments adversely impacting its liquidity profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power Transmission
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

NETCL is a joint venture (JV) of Power Grid Corporation of India Ltd (PGCIL), ONGC Tripura Power Company Ltd (OTPC, a JV of ONGC, GAIL and Government of Tripura) and northeastern states. It was formed to build, own and operate a 1,326.7-CKT km 400-KV AC transmission line from Palatana in Tripura to Bongaigaon in Assam to evacuate power from the 726.6-MW gas-based power plant of OTPC at Palatana. The transmission line passes through the forests and hilly terrain of Tripura, Assam and Meghalaya. The first segment of the line, Palatana–Silchar, was commissioned in September 2012 and the last phase was commissioned in February 2015. The project cost of ~Rs. 2,200 crore has been funded in a debt-to-equity ratio of 77:23. The tariff is payable as per the CERC tariff norms. Being an ISTS line, the CTU is responsible for the billing, collection and disbursement of transmission charges for NETCL.

Key financial indicators (audited)

NETCL	FY2024	FY2025
Operating income	275.7	269.7
PAT	71.1	78.8
OPBDIT/OI	91.8%	92.7%
PAT/OI	25.8%	29.2%
Total outside liabilities/Tangible net worth (times)	1.3	0.9
Total debt/OPBDIT (times)	2.5	1.9
Interest coverage (times)	4.3	5.1

Source: Company, ICRA Research; 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

Current (FY2026)					Chronology of rating history for the past 3 years					
					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	480.13	Aug 18, 2025	[ICRA]AAA (Stable)	Nov 07, 2024	[ICRA]AA+ (Stable)	Aug 04, 2023	[ICRA]AA+ (Stable)	Jun 24, 2022	[ICRA]AA+ (Stable)
Unallocated limits	Long-term	-	-	-	-	-	Aug 04, 2023	[ICRA]AA+ (Stable)	Jun 24, 2022	[ICRA]AA+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	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
NA	Term loan	FY2025	-	FY2040	480.13	[ICRA]AAA (Stable)

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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