

April 07, 2022

Goa-Tamnar Transmission Project Limited: Ratings reaffirmed; outlook revised to Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based term loan	1050.00	1050.00	[ICRA]BBB-; reaffirmed & outlook revised to Negative from Stable
Non-fund Based-Letter of Credit [#]	(735.00) [#]	(735.00) [#]	[ICRA]BBB- / [ICRA]A3; reaffirmed & outlook revised to Negative from Stable
Total	1050.00	1050.00	

*Instrument details are provided in Annexure-1

[#]Sub-limit of term loan

Rationale

The revision in outlook on the long-term rating for Goa-Tamnar Transmission Project Limited (GTTPL) factors in the delays in execution of its transmission project owing to pending approvals. Out of the four elements of the project, three are expected to witness a delay in commissioning from the revised scheduled commissioning date (CoD) of July 2022¹. The DT² line in Chhattisgarh is in an advanced stage of construction and is expected to be commissioned by May 2022. Within the balance three elements, the XM³ line, XX⁴ line and substation at the Xeldam substation are expected to be commissioned in Q1 FY2024 and the XN⁵ line by March 2024. The XM and XX lines along with the substation are delayed owing to the pending land conversion approvals, while the XN line is delayed owing to the pending forest and wildlife clearances. This follows a petition filed by the Goa Foundation against granting forest and wildlife clearance to infrastructure projects in Goa including GTTPL, before the Central Empowered Committee (CEC) constituted by the Supreme Court (SC). While the CEC cleared the XM, XX lines and Xeldam substation, the land conversion approval from the Government of Goa is awaited. The CEC has submitted a report to the SC suggesting modifications to the XN line, with the new line to be aligned along with the route of the existing line in the forest areas of Goa and Karnataka. The decision of the Supreme Court is awaited in this matter.

In this context, the company approached the Central Electricity Regulatory Commission (CERC) for the revision in the project's CoD and to consider the impact of change in law and force majeure events. The CERC directed the company to complete the project and approach the commission for relief with respect to force majeure events and settle change in law claims with the long-term transmission customers (LTTCS). Further, the commission noted that no precipitative action should be taken against the company by the LTTCS in the interim. Given the uncertainty over the timelines for receipt of the pending approvals, ICRA notes that the risk of further delays in project execution and escalation in project cost cannot be ruled out. Thus, the timeliness in receiving the balance approvals and progress in project execution thereafter, remain the key monitorables for the company. Also, the extension of the CoD timelines by the lenders of the project remains important.

The ratings, however, continue to favourably factor in the track record of the Sterlite Group in implementing and operating power transmission projects. In India, the Group has completed 11 power transmission projects till date and four more

¹ Revised from November 2021 in line with the extension approved by the Ministry of Power for all transmission projects due to Covid-19

² Dharamjaygarh Pool Section B – Raigarh (Tamnar) Pool 765 kV D/c line

³ Xeldem – Mapusa 400 kV D/c line

⁴ Inter connection with Xeldem (existing) substation

⁵ LILO of one ckt. of Narendra (existing) - Narendra (New) 400kV D/c quad line at Xeldem

transmission projects, including GTTPL, are at various stages of implementation. The company has awarded a fixed-price EPC contract to a flagship company of the Group, Sterlite Power Transmission Limited (SPTL), therefore, eliminating the raw material price movement risk; however, SPTL would be partially exposed to the price movement risk. The company has achieved financial closure for a Rs. 1,050-crore term loan for the project, with a provision of a nine-month moratorium period post commissioning and a door-to-door tenure of 20 years.

Further, ICRA takes note of the change in the ownership, with SPTL divesting a 50% stake in the holding company of GTTPL to AMP Capital Infrastructure Investment No.2 S.A.R.L (AMPCII No.2 SARL), part of AMP Capital, under a 50:50 partnership for execution of transmission projects in India. The equity requirement for GTTPL will be met by SPTL and AMPCII No.2 SARL in proportion to their holding. ICRA notes ~100% of the promoter contribution for the project has been infused and SPTL is expected to support the project in case of any cost escalation arising from the delays in execution or any delays in disbursement. ICRA also notes that GTTPL's project is part of the Inter-State Transmission System (ISTS), and thus benefits from an assured off-take under the transmission service agreement (TSA) of 35 years, leading to stable cash inflows in the form of annuity-based fixed monthly charges, provided the line availability is maintained above 98%. The project is also expected to benefit from favourable payment security under the pooling connection mechanism managed by the Central Transmission Utility of India Limited (CTU; subsidiary of Power Grid Corporation of India Limited) during the operating period.

Post commissioning, GTTPL remains exposed to moderate operations and maintenance (O&M) risk and the cost of the O&M activity. Nonetheless, comfort is drawn from the experience of the Group in developing and operating transmission assets. GTTPL is also vulnerable to the interest rate risk due to high share of debt funding, and any upward movement in the interest rate may impact the company's financial risk profile.

Key rating drivers and their description

Credit strengths

Established track record of Sterlite Group – The Group is one of the major private players in the power transmission sector in India and the project will benefit from the established track record of the Group in implementation and operation of power transmission projects.

Synergy with SPTL and fixed-price EPC contract - The company enjoys synergy with a flagship company of the Group, SPTL, which is involved in EPC of power transmission projects and supply of power transmission conductors. This will help in timely execution of the project, once necessary wildlife and forest clearances are in place. The fixed-price EPC contracts with SPTL also helps the company to substantially offset the exposure to adverse raw material price movements.

Financial closure in place for debt funding - The company has achieved financial closure for bank loans worth Rs. 1,050 crore, which has a door-to-door tenure of 20 years, moratorium of nine months post the scheduled commercial operation date (SCOD) and a fully amortised debt repayment schedule. Also, the entire promoter contribution for the project has been infused and SPTL is expected to support the project in case of any cost escalation arising from the delays in execution.

Assured off-take under long-term TSA and strong payment security – Post commissioning, the company will enjoy assured offtake and stable cash inflows in the form of fixed monthly charges, provided the line availability is maintained above 98% under the TSA with the long-term transmission customers. The project will also benefit from the diversified counterparty risk and favourable payment security under the pooling mechanism once commissioned. Under this mechanism, the Central Transmission Utility of India Limited (CTU) collects monthly transmission charges from ISTS customers, which are distributed to ISTS licensees from the centrally collected pool.

Credit challenges

Implementation risks associated with the project; delays in securing required approval due to ongoing proceedings before the SC expected to lead to delays in commissioning - The progress on three out of the four elements of the project is still in the early stages of execution, given the challenges in securing forest, wildlife clearances and right of way, leading to delays in

execution and possibly, project cost overruns. The Ministry of Power has approved the extension of the project's CoD by eight months for all under-construction transmission projects in view of the pandemic. Despite this extension, the project's CoD is likely to be further delayed owing to the delay in securing wildlife and forest clearance for the XN line in view of the ongoing proceedings before the Supreme Court on line alignment, following the petition filed by the Goa Foundation against the project before the Supreme Court appointed panel. Also, the clearance for land conversion for the Xeldam substation is pending. As a result, the commissioning timeline for the XN line, XM line and XX line and substation is likely to be significantly delayed from the revised CoD timeline of July 2022. Therefore, the company's ability to secure the required approvals and right of way without further delays following the hearing process before the SC, and completing the project within the budgeted costs remains important, from a credit perspective.

Interest rate risk given the high leverage and largely fixed tariffs - The project is being funded by a debt-to-equity funding mix of 78:22; with debt fully tied-up, and equity funding fully infused. The project remains exposed to the interest rate risk post commissioning, given the high leverage level and largely fixed tariff under the TSA. Also, the ability of the sponsor to fund the cost overruns (if any) given the delays in commissioning remains important to complete the project.

Moderate operations and maintenance risk - Post commissioning, the company's profitability would remain exposed to the variations in O&M expenses and ability to maintain the required line availability. However, the experience of SPTL in the power transmission business should ensure adequate resource allocation and cost-efficient execution of the O&M activity.

Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate, given that the financial closure for term loans is in place and the sponsor has infused entire equity funding for the project. Further, the rating draws comfort from the sponsor's ability to support the project in case of any cost overruns.

Rating sensitivities

Positive factors - Given the Negative outlook on the long-term rating, a rating upgrade is unlikely. However, ICRA may revise the outlook to Stable if the company secures the required approvals and progresses towards the project completion without any major cost overruns.

Negative factors - Pressure on the ratings could emerge if the delays in securing pending approvals persist, leading to further delays in project commissioning timelines and/or sizeable cost overruns, thereby impacting the company's ability to service its debt obligations. Further, any weakening in the parent company's credit profile would trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Power Transmission Companies
Parent/Group Support	The rating assigned to the company factors in the high likelihood of support from its parent group (Sterlite Power Group) and financial flexibility enjoyed by virtue of backing from AMPCII No.2 SARL.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

GTTPPL is a special purpose vehicle (SPV) incorporated for the implementation of an interstate transmission project spread across Goa, Karnataka and Chhattisgarh. The company is setting up transmission lines in Goa, Chhattisgarh and Karnataka and a substation in Goa, for addition of 400 kV feed to Goa, and an additional system for power evacuation from generation

projects in Tamnar, Chhattisgarh. GTTPL was transferred to Sterlite Grid 5 Limited, after it was awarded the project by PFC Consulting Limited. GTTPL is constructing a total transmission line length of ~236km, along with a substation as part of the project. The project is being implemented on a build, own, operate and maintain (BOOM) basis and has a transmission service agreement (TSA) for 35 years. The budgeted cost of the project is Rs. 1,350 crore.

Key financial indicators (audited)

GTPL Standalone	FY2020	FY2021
Operating Income (Rs. crore)	NA	NA
PAT (Rs. crore)	NA	NA
OPBDIT/OI (%)	NA	NA
PAT/OI (%)	NA	NA
Total Outside Liabilities/Tangible Net Worth (times)	NA	NA
Total Debt/OPBDIT (times)	NA	NA
Interest Coverage (times)	NA	NA

Not applicable as this is a project company.

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	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on February 28, 2022 (Rs. crore)	Date & Rating on	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					April 07, 2022	-	Jan 4, 2021	Aug 20, 2019
1	Fund-based term loan	Long-term	1050.00	332.00	[ICRA]BBB-(Negative)	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
2	Non-fund Based-Letter of Credit#	Long-term/Short-term	(735.00)#	-	[ICRA]BBB-(Negative)/[ICRA]A3	-	[ICRA]BBB-(Stable) / [ICRA]A3	[ICRA]BBB-(Stable) / [ICRA]A3

*Instrument details are provided in Annexure-1

#Sub-limit of term loan

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple
Non-fund Based-Letter of Credit#	Very Simple

#Sub-limit of term loan

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: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
-	Term Loan 1	FY2018	-	FY2039	325.00	[ICRA]BBB- (Negative)
-	Term Loan 2	FY2018	-	FY2039	325.00	[ICRA]BBB- (Negative)
-	Term Loan 3	FY2019	-	FY2039	400.00	[ICRA]BBB- (Negative)
-	Letter of Credit 1#	-	-	-	(325)	[ICRA]BBB- (Negative) / [ICRA]A3
	Letter of Credit 2#	-	-	-	(280)	[ICRA]BBB- (Negative) / [ICRA]A3
	Letter of Credit 3#	-	-	-	(130)	[ICRA]BBB- (Negative) / [ICRA]A3

Source: Company; #Sublimit of term loan

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

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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