PTC India Limited

Instrument Details	Amount in Rs. Crore^	Rating Action
		February 2016
Non Fund Based Limits	2550	[ICRA]A1+; *reaffirmed*
Short term bank facility	300	[ICRA]A1+; *reaffirmed*
Commercial Paper	100	[ICRA]A1+; *reaffirmed*

ICRA has reaffirmed [ICRA]A1+ (pronounced ICRA A one plus) rating assigned to the Rs. 2550 Crore* non-fund based limits, Rs. 300 crores short-term bank facility and Rs. 100 Crore Commercial Paper Program of PTC India Limited (PTC)†.

ICRA's rating action favorably factors in the market leadership position of PTC in the domestic power trading market. While the competition in the power trading business has been increasing with the emergence of power exchanges as well competition from other power trading companies, PTC continues to drive its competitive advantage from being an early mover in the industry with established clientele and status as a nominated power trading company of government of India (GoI) for three hydro based power projects in Bhutan. ICRA has also taken note of PTC's long term tie ups of power through power purchase agreement (PPAs) signed with under construction power projects in the country to the tune of around 11.5 Giga Watt (GW), which is likely to result in healthy and stable growth prospects in the long-term. The rating action has also drawn comfort from the considerable recoveries made by PTC in FY 2016 from Tamil Nadu Electricity Board (TNEB). The company continues to remain debt free with cash & liquid investments of Rs. 854 Crore as on March 31, 2015. The rating continues to be supported by the company's stable profitability, experienced management and its strong parentage.

ICRA however notes that PTC is exposed to significant counter-party credit risks given that its main off takers are the state power utilities most of which are in weak financial shape. PTC tries to mitigate this risk by effectively distributing its offtake across multiple counterparties and seasonal reversal of buy and sell positions of state power utilities also acts as a natural hedge for the business. As per the revised Case 1 bidding guidelines, PTC is not allowed to participate in long term power procurement bids. This poses immense risk to the ability of PTC to sign PSAs for its un-tied PPA capacity. ICRA also notes that in a few cases PTC would be exposed to supply commitment and credit quality of a project developer where it has entered into a back to back power supply agreement (PSA) for sale of power from the respective project on long term basis. In such cases, complete coverage of liabilities (for delays in projects commissioning, liabilities in event of seller event of default etc) by way of performance bank guarantee will be crucial given the fact that project special purpose vehicles (SPV's) will not have any cash flows prior to completion. ICRA has also taken note of ongoing litigations with respect to few operational and under construction power projects where power generation costs have increased. PTC has signed PSAs for these power projects however the contingency risks are mitigated by the presence of back to back terms in PPAs on the termination liabilities' front. Further, it should be noted that off late a couple of those disputed PPAs have been resolved by revising the tariff rates upward in the PPAs and corresponding PSAs.

Going forward, PTC's ability in maintaining its market leadership while protecting its trading margins and ensuring timely collections from its off takers would remain key rating sensitivities.

Company Profile

PTC India Limited (PTC) was founded in 1999 to promote power trading in the country. The company's promoters are Power Grid Corporation of India Limited ("POWERGRID"), NTPC Limited ("NTPC"), Power Finance Corporation Limited ("PFC") and NHPC Limited ("NHPC"). PTC has been the pioneer

^ 100 lakh = 1 crore = 10 million

* 1 crore =100 lacs= 10 million

† For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications

in developing and implementing the concept of power trading in India. Presently, it is a Category I license holder (defined as per CERC guidelines) which permits highest volumes of trading. Over years, PTC has also diversified its service offering in power sector by setting up an investment vehicle "PTC India Financial Services (PFS)" for providing financial solutions in energy value chain (in which PTC currently has stake of 60%), by acquiring minimal stakes in power generation projects, by setting up energy exchanges through PFS, and venturing into power tolling services. To fund these investments and maintain funds adequacy, PTC has raised equity through two rounds of qualified institutional placement of approximately Rs 1200 Crore in January 2008 and Rs 500 Crore in May 2009.

During 9M FY 2016, PTC reported a PAT of Rs 193.9 Crore on an operating income of Rs 9755.3 Crore as against a PAT of Rs 146.7 Crore on an operating income of Rs 10725.1 Crore in the corresponding period last year. The company had a debt free balance sheet as on 31st March 2015, with cash and liquid investments of close to Rs 854 Crore.

February 2016

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