DELHI TRANSCO LIMITED

(A Govt. of NCT of Delhi Undertaking)
Regd. Office: - Shakti Sadan, Kotla Marg, New Delhi-110002
Corporate Identification Number (CIN) - U40103DL2001SGC111529
Telephone no-23235380- Tele-fax: - 23238064, Website – www.dtl.gov.in

No. F.42/DTL/402 / CS/ 2017-18 / 119 Date: 24th January, 2018

Ms. Rupa Deb,
General Manager and Company Secretary,
IFCI Limited, IFCI Tower,
61, Nehru Place,
New Delhi

Dear Madam

Please find enclosed herewith Quarterly Report for the period ended December 31, 2017.

Thanking you.

Yours faithfully
For Delhi Transco Limited

(P.K. Mallik)
Executive Director (C.G.)
& Company Secretary

Encl: As above

DELHI TRANSCO LIMITED
(A Govt. of NCT of Delhi Undertaking)
(Shakti Sadan,Kotla Road)
New Delhi 110002

No: F.DTL/310/D.M (F)/C.A/17-18/ Dated: 15/01/2018

The Company Secretary
Delhi Transco Limited
Shakti Sadan
Delhi

Quarterly Report for the period ended 31.12.2017 for IFCI (Debenture Trustee)

1. **The previous due date for the payment of interest and that all interest/principal due till date has been paid to Debenture holder:**
   Due date of payment of interest are 2nd September and 2nd March every year.
   Interest was paid on time (Dated-September 2, 2017)
   Principal was paid on time (Dated-March 2, 2017)

2. **The Next due date for payment of Interest /principal and the same would be paid on due date:**
   The next due date for payment of interest is 2ndMarch 2018.
   The next due date for payment of principal is 2ndMarch 2018.

3. **Creation of Debenture Redemption Reserve as stipulated in the Debenture Trust Deed/Companies Act duly supported by Auditor's Certificate. and certificate of compliance with SEBI Circular No.4/2013**
   Debenture (Bonds) Redemption Reserve: Rs.80 Cr (as on 31.03.2017).For FY 2016-17 Auditor Certificate has been enclosed (Annex- A)

4. A certificate from the auditors of the company certifying that:
   (i) The company has transferred sum equivalent to 25% of the value of debentures to debentures redemption reserve at the end of each financial year from the year in which debentures were issued as mentioned in circular no. 04/2013 dated 11/02/2013 issued by ministry of corporate affairs.
   (ii) The company has invested a sum not less than 15% of the amount of debentures maturing during financial year 2016-17 ending on 30/06/2017 in prescribed modes, as mentioned in circular no. 04/2013 dated 11/02/2013 issued by ministry of corporate affairs.
   Auditor Certificate has been enclosed. (Annex- A)

5. **Payment of interest up to the last due date.**

   Interest paid up to the due date i.e. 2nd September 2017.

6. **Status of redemption of Debentures on due date, if any**

   2st installment of Debenture redeemed on 2nd March 2017.

7. The Properties secured for the Debentures are adequately insured and policies are in the joint names of the trustees.(Note: In adherence to the Trust Deed, Kindly provide us with the original Insurance Policy with Original Renewals, if any)

   Currently we are maintaining insurance reserve of .10% of GFA from the annual profit of the company.

8. In case of default (Principal and Interest), number of installments defaulted as on ~~June 30~~ Dec 31, 2017 with amount overdue (give due date wise principal & interest separately).

   No default reported.

9. A Statement that the assets of the body corporate which are available by way of security are sufficient to discharge the claims of the debenture holders as and when they become due (Asset Cover Ratio).

   Auditor Certificate has been enclosed. (Annex- B)

10. Cash flows of the company are adequate for payment of interest and redemption of principal with details thereof.

    The requirement of cash funds for the payment of interest and redemption of principal is being met out of the internal accruals of the company.

11. Repayment Schedule

    Enclosed. (Annex- C)

12. Credit Rating assigned to the Debentures at present along with the certified true copy of the latest Credit Rating Letter in regards to the issue.

    Crisil: BBB+/Negative (Reaffirmed)

    India Rating (Fitch): "IND A"/Outlook Negative(Now the rating is revised to "IND A+/Outlook Stable)

    The above credit ratings are the latest conducted by the agencies and are also available on their respective websites. (Annex- D)

For Submission to IFCI limited.

Vikas Mangla

(Vikas Mangla)

DM (F), Central Accounts

ANNEX - A

S. N. NANDA & CO.
CHARTERED ACCOUNTANTS
E-mail : snnco@snnco.net
: info@snnco.net

C 43, PAMPOSH ENCLAVE
GREATER KAILASH - I
NEW DELHI - 110 048

PH: 91-11-26237853, 41731475
FAX: 91-11-26237853

November 15, 2017

The Company Secretary
IFCI Limited
IFCI Tower
61, Nehru Place
New Delhi – 110019.

A. The Delhi Transco Limited had transferred a sum of Rs. 10000 lakhs equivalent to 50% of the value of Debentures issued amounting to Rs.20000 lakhs to Debenture Redemption Reserve, out of its profit in accordance with Circular No.04/2013 dated 11/020/2013 issued by Ministry of Corporate Affairs in earlier years. As on 31.03.2017 Debenture Redemption reserves stands for Rs. 8000 Lakhs.

B. The Company has invested a sum of Rs.300 lakhs, not less than 15% of the debenture amount of Rs 2000 lakhs, maturing during Financial Year 2017-18 ending on 31/03/2018 in prescribed modes, as mentioned in Circular No.04/2013 dated 11/02/2013 issued by Ministry of Corporate Affairs.

For S.N Nanda & Co
(Chartered Accountants)
Firm Registration No. 00685N

CA S.N. Nanda
Partner
M. No. 005909

ANNEX- B.

S. N. NANDA & CO.
CHARTERED ACCOUNTANTS
E-mail : snnco@snnco.net
: info@snnco.net

C-43, PAMPOSH ENCLAVE
GREATER KAILASH - I
NEW DELHI - 110 048

PH: 91-11-26227853, 41731475
FAX: 91-11-26227853

November 15, 2017

The Company Secretary
IFCI Limited
IFCI Tower
61, Nehru Place
New Delhi – 110019.

This is to certify that on the basis of Books of accounts and record presented before us, the assets of Delhi Transco Limited as on 31st March, 2017 which are available by way of security are sufficient to discharge the claims of the debenture holders as and when they become due.

For S.N. Nanda & Co.
(Chartered Accountants)
Firm Registration No. 00685N

CA S.N. Nanda
Partner
M. No. 005909

ANNEX- C

15 year DTL Bonds for Rs. 200 crores on half yearly interest @ 09.5% to be redeemed in 10 equal installments from Six year and onward					
Date	Principal	Interest	Redemption	Payment	Balance
02-03-2010	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-09-2010	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-03-2011	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-09-2011	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-03-2012	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-09-2012	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-03-2013	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-09-2013	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-03-2014	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-09-2014	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-03-2015	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-09-2015	2,00,00,00,000	9,50,00,000	0	9,50,00,000	2,00,00,00,000
02-03-2016	2,00,00,00,000	9,50,00,000	20,00,00,000	29,50,00,000	1,80,00,00,000
02-09-2016	1,80,00,00,000	8,55,00,000	0	8,55,00,000	1,80,00,00,000
02-03-2017	1,80,00,00,000	8,55,00,000	20,00,00,000	28,55,00,000	1,60,00,00,000
02-09-2017	1,60,00,00,000	7,60,00,000	0	7,60,00,000	1,60,00,00,000
02-03-2018	1,60,00,00,000	7,60,00,000	20,00,00,000	27,60,00,000	1,40,00,00,000
02-09-2018	1,40,00,00,000	6,65,00,000	0	6,65,00,000	1,40,00,00,000
02-03-2019	1,40,00,00,000	6,65,00,000	20,00,00,000	26,65,00,000	1,20,00,00,000
02-09-2019	1,20,00,00,000	5,70,00,000	0	5,70,00,000	1,20,00,00,000
02-03-2020	1,20,00,00,000	5,70,00,000	20,00,00,000	25,70,00,000	1,00,00,00,000
02-09-2020	1,00,00,00,000	4,75,00,000	0	4,75,00,000	1,00,00,00,000
02-03-2021	1,00,00,00,000	4,75,00,000	20,00,00,000	24,75,00,000	80,00,00,000
02-09-2021	80,00,00,000	3,80,00,000	0	3,80,00,000	80,00,00,000
02-03-2022	80,00,00,000	3,80,00,000	20,00,00,000	23,80,00,000	60,00,00,000
02-09-2022	60,00,00,000	2,85,00,000	0	2,85,00,000	60,00,00,000
02-03-2023	60,00,00,000	2,85,00,000	20,00,00,000	22,85,00,000	40,00,00,000
02-09-2023	40,00,00,000	1,90,00,000	0	1,90,00,000	40,00,00,000
02-03-2024	40,00,00,000	1,90,00,000	20,00,00,000	21,90,00,000	20,00,00,000
02-09-2024	20,00,00,000	95,00,000	0	95,00,000	20,00,00,000
02-03-2025	20,00,00,000	95,00,000	20,00,00,000	20,95,00,000	0
		2,09,00,00,000		**4,09,00,00,000**	

ANNEX-D.

Ratings

CRISIL

An S&P Global Company

Rating Rationale

April 28, 2017 | Mumbai

Delhi Transco Limited

Rating Reaffirmed

Rating Action

Bonds Aggregating Rs.7 Crore	CRISIL BBB+/Negative (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the bonds of Delhi Transco Ltd. (DTL) at 'CRISIL BBB+/Negative'.

The rating reaffirmation centrally factors in commencement of recovery of dues from BSES Rajdhani Power Ltd (BRPL) and BSES Yamuna Power Ltd (BYPL), following a Supreme Court order dated May 12, 2016. This coupled with payment of power subsidy by GoNCTD, attributable to BRPL and BYPL, to DTL directly in fiscal 2017 has resulted in sustenance of DTL's liquidity position. DTL had adequate liquidity of more than Rs 100 crore as on March 31, 2017 in the form of non-plan funds in addition to unutilized bank lines of Rs 175 crore. Continuation of receipt of payments from key counterparties such as BYPL, BRPL and Tata Power Delhi Distribution Ltd (TPDDL) and sustenance of liquidity will be the key monitorables.

Key Rating Drivers & Detailed Description

Strengths

* **Monopoly in intra-state power transmission business in Delhi:** DTL enjoys a natural monopoly and transmits power from the central generating utilities, Pragati Power Corporation Ltd (PPCL) and Indraprastha Power Generation Company Ltd (IPGCL) and from other private generators to discoms in Delhi. DTL's monopoly is likely to continue even over the long term, as the economies of power transmission do not favour multiple competing networks in the same area. Also, as the designated state transmission utility (STU), it plans and coordinates the wheeling of power and plays a crucial role in the state's economy, as the entire power available in the state flows through its network

* **Full-recovery of costs under regulated tariff structure:** DTL operates under a well-developed regulatory framework. DTL's tariff is determined by Delhi Electricity Regulatory Commission (DERC), the tariff enables DTL to recover its expenses and allows for return on capital employed (RoCE, which includes interest cost) based on network availability provided it meets DERC's stipulated operating norms. DTL has been able to continuously recover the revenues as set in tariff orders issued by DERC supported by its efficient operations with line availability of more than 99 percent , as against the performance benchmark of 98 percent set by regulator for full recovery of costs and RoCE

* **Efficient Operations.** Low transmission losses of below 1 per cent on its own network mark DTL's efficient operational profile. Although debtor recovery from DTL's key customers was being delayed, recovery of past arrears has begun from April 2016. The company's transmission network had a high availability of more than the performance benchmark of 98% set by the regulator for a full recovery of fixed costs

Weaknesses

Weak counterparty risk profile: The company's major counterparties, BRPL and BYPL, have a weak financial risk profile because of high regulatory assets (Rs 14,838 crore in BRPL and Rs 9,128 crore in BYPL as on March 31, 2014) and weak gearing. CRISIL believes that this has led to weak recovery of receivables for DTL over the past five years; receivables increased to Rs 1441.64 crore as on March 31, 2016, from Rs 379 crore as on March 31, 2011. This build up is despite GoNCTD directly paying the power subsidy, attributable to BRPL and BYPL, to DTL over the last fiscal amounting to more than Rs 300 crore. Such a large build-up in receivables has adversely impacted the liquidity, and consequently the financial risk profile of DTL.

* **Exposure to risks related to its large capex plans:** DTL's cash flows are dependent on successful implementation and subsequent approval of its capex by DERC. DTL's capex was Rs 2781 crore between March 31, 2011, and March 31, 2016, of which Rs 222 crore was capital work-in-progress as on March 31, 2016. This capex needs to be approved by DERC to enable DTL to recover the expenses by way of tariff; DTL suffered a large negative true-up in revenue of fiscal 2014 of Rs 1,035 crore primarily due to downward revision in the capitalisation approved by DERC from fiscal 2008 to fiscal 2012 in the tariff order released in July 2013 as a result of lower actual capex incurred during the period.

* **Modest financial risk profile:** DTL's financial risk profile is modest. It had cash and bank balance of (non-plan funds) of Rs 175 crore as on December 31, 2016 (Rs 177 crore as on March 31, 2016). DTL's expected cash accruals are expected to be sufficient to cover its maturing debt obligations, and availability of unutilised working capital lines of Rs 175 crore support the liquidity profile. DTL's gearing is moderate at around 0.95 times as on March 31, 2016 and has improved significantly from 1.55 times as on March 31, 2014 because of healthy accretion to reserves in fiscal 2015 and a Government of India grant of Rs 200 crore, which is considered as part of net worth.

Outlook: Negative

CRISIL believes DTL's financial risk profile and liquidity could deteriorate further if delays in realisation from discoms continue over the near to medium term. The rating may be downgraded in case realisations of current dues from BRPL, BYPL and TPDDL get stalled again in the near term or if DTL's financial flexibility reduces due to change in its ability to defer payments to GoNCTD or DPCL. Conversely, the outlook may be revised to 'Stable' if debtor realisation from discoms improves, leading to improvement in DTL's liquidity

About the Company

DTL, established in 2001, is wholly owned by GoNCTD with a direct holding of 93.4 percent and holding through DPCL of 6.6 percent. As envisioned in the Delhi Electricity Reform (Transfer Scheme) Rules, 2001, the erstwhile Delhi Vidyut Board was unbundled into one holding company (DPCL), two generation companies (IPGCL and PPCL), a transmission company (DTL), and three discoms (South-West Delhi Electricity Distribution Company Ltd, Central-East Delhi Electricity Distribution Company Ltd, and North-Northwest Delhi Distribution Company Ltd). The three discoms were privatized and were renamed BRPL and BYPL, and TPDDL. DTL was initially involved in transmission and bulk power trading. Under the provisions of the Electricity Act 2003, DTL divested its bulk supply business in April 2007; this business was transferred to the three discoms. All power purchase agreements signed with DTL by the central power utilities, state generating companies, and private generators, were transferred to the three discoms. As a result of the transfer, DTL is currently involved in transmission and has been designated as the STU in the National Capital Territory of Delhi. DTL reported a net profit of Rs 558.9 crore on sales of Rs 1169.5 crore for fiscal 2016, against a net profit of Rs 324 crore on sales of Rs 858.6 crore for fiscal 2015

Any other information: Not applicable

Note on complexity levels of the rated instrument:
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Annexure - Details of Instrument(s)

ISIN No	Name of Instrument	Date of Allotment	Coupon Rate	Maturity Date	Issue Size (Rs Crore)	Rating Assigned with Outlook
INE491F07019	Long Term Bonds*	3-Feb-10	0.095	3-Feb-16	20	CRISIL BBB+/Negative
INE491F07027	Long Term Bonds*	3-Feb-10	0.095	3-Feb-17	20	CRISIL BBB+/Negative
INE491F07035	Long Term Bonds	3-Feb-10	0.095	3-Feb-18	20	CRISIL BBB+/Negative
INE491F07043	Long Term Bonds	3-Feb-10	0.095	3-Feb-19	20	CRISIL BBB+/Negative
INE491F07050	Long Term Bonds	3-Feb-10	0.095	3-Feb-20	20	CRISIL BBB+/Negative
INE491F07068	Long Term Bonds	3-Feb-10	0.095	3-Feb-21	20	CRISIL BBB+/Negative
INE491F07076	Long Term Bonds	3-Feb-10	0.095	3-Feb-22	20	CRISIL BBB+/Negative
INE491F07084	Long Term Bonds	3-Feb-10	0.095	3-Feb-23	20	CRISIL BBB+/Negative
INE491F07092	Long Term Bonds	3-Feb-10	0.095	3-Feb-24	20	CRISIL BBB+/Negative
INE491F07100	Long Term Bonds	3-Feb-10	0.095	3-Feb-25	20	CRISIL BBB+/Negative
NA	Long Term Bonds #	NA	NA	NA	500	CRISIL BBB+/Negative

*we are awaiting independent confirmation of redemption before withdrawing ratings on these instruments
#yet to be issued

Annexure - Rating History for last 3 Years

	Current			2017 (History)		2016		2015		2014		Start of 2014
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	700	CRISIL BBB+/Negative		No Rating Change		No Rating Change		No Rating Change		No Rating Change	CRISIL BBB+/Negative

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release

Links to related criteria

CRISILs Approach to Financial Ratios

Rating Criteria for Power Distribution Utilities

Rating criteria for manufaturing and service sector companies

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Last updated: April 2016

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Delhi Transco Limited

Issuer Credit Research

Ratings

Long-Term Issuer Rating	IND A
Long-Term Loans	IND A
Long-Term Bonds	IND A
Fund-Based Working Capital Limits	INDA/IND A1
Non-Fund-Based Working Capital Limits	IND A/IND A1

Outlook

Long-Term Issuer Rating	Negative
Long-Term Bank Facilities	Negative

Financial Data

Delhi Transco Limited

Particulars	FY16	FY15
Revenue (INR million)	10,896	7,894
EBITDA (INR million)	9,105	6,001
EBITDA margin (%)	83.6	76.0
Cash (INR million)	3,017	3,009
Debt (INR million)	25,023	22,998
Net leverage (x)	2.42	3.33

Analysts

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Key Rating Drivers

Weak Counterparty Profile: India Ratings and Research (Ind-Ra) downgraded the ratings of Delhi Transco Limited (DTL) in December 2016. The downgrade reflects continued debtor build-up. Debtors increased to INR14.16 billion at FYE16 (FYE15: INR10.8 billion, FYE15: INR10.8 billion), with BSES Rajdhani Power Limited (BRPL) and BSES Yamuna Power Limited (BYPL) accounting for 87% of the debtors. The negative outlook reflects Ind-Ra's expectation that DTL could recover only 60%-70% of its annual billings, which would result in further debtor build-up as the power situation in Delhi is unlikely to be resolved over the next one-two years.

Ind-Ra notes that during FY16, DTL's reliance on subsidy from the government of National Capital Territory Delhi (GoNCTD) increased, as direct payments from the three key discoms (BRPL, BYPL and Tata Power Delhi Distribution Limited (TPDDL)) were minimal. During FY16, DTL received INR1.48 billion by way of subsidy diversion (FY15: INR190 million). Given that the subsidy is released by the GoNCTD, any timing mismatch in subsidy release could result in cash flow mismatches for DTL. However, DTL's cash balances and track record of receiving support from the GoNCTD in the form of unsecured loans and equity mitigates the risk to some extent. DTL derives 62%-65% of its revenue from BRPL and BYPL. Considering the weak financial profile of these entities, the recovery of debtors has been under stress. Of late, even TPDDL has started contesting for bill payments with DTL.

Strong Linkages with GoNCTD: The ratings factor in the strong operational, legal and strategic linkages between the GoNCTD and DTL. The GoNCTD has supported DTL by way of equity infusion, conversion of loans to equity and debt for new capex. Moreover, DTL enjoys flexibility with regard to interest and principal repayments on the GoNCTD's loans. The ratings reflect DTL's position as a key vehicle in furthering the GoNCTD's social and infrastructural obligations in Delhi's power sector. Loans from the GoNCTD and Delhi Power Company Limited (DPCL) constituted 58% of the outstanding debt in FY16 (FY11: 16%), indicating increasing support from the GoNCTD. Ind-Ra expects an increase in support from the GoNCTD to DTL, considering the overall power situation in Delhi could take time to resolve.

Regulated Business Operations: The ratings benefit from DTL's monopoly status in its licence area and high operating efficiencies. The stable and transparent regulatory process determines tariffs on a multiyear basis and assures recovery of fixed costs with 14% return on equity.

Substantial Increase in ARR: DTL's annual revenue requirement (ARR) substantially increased to INR10.18 billion in FY16 (FY15: INR7.34 billion) on account of the allowance of Delhi Vidyut Board (DVB) arrears of INR1.92 billion and the carrying cost on DVB arrears of INR1 billion. Moreover, the Delhi Electricity Regulatory Commission (DERC) trued up ARRs for FY13 and FY14, leading to a revenue clawback of INR1.85 billion, which the commission adjusted against DVB arrears. Unrecovered DVB arrears stood at INR9.61 billion at FYE16. The DERC calculated ARR for FY16 at INR7.26 billion, excluding DVB arrears recovery and carrying cost mentioned above. The DERC is yet to complete the true-up for FY15 and finalise the tariffs for the control period FY17-FY20. Ind-Ra estimates a possible revenue clawback of INR1.3 billion for FY15. In the absence of final tariffs for the control period FY17-FY20, DTL continues to bill consumers at the last approved tariff of FY16.

Recovery of DVB Arrears Partly Clear: In FY16, DERC allowed DTL to recover 20% of outstanding regulatory assets, along with carrying cost totalling INR2.92 billion. Given DTL, in the absence of tariffs for FY17-FY20 control period, continues to bill consumers at the FY16 tariff, which includes a DVB asset recovery of INR2.92 billion, DVB arrears are likely to be recovered. However, the DERC has not specified an explicit timeline for the recovery. DERC allowed DTL DVB arrears to the tune of INR16.87 billion at FYE14 (including carrying cost); DTL was allowed a recovery of INR5.41 billion in FY14.

Decline in FY16 Leverage: DTL's net leverage (net adjusted debt/EBITDA) declined to 2.4x in FY16 (FY15: 3.3x), driven by a healthy ARR. This led healthy EBITDA of INR9.1 billion (FY15: INR6 billion). DTL's net debt increased to INR22 billion in FY16 (FY15: INR20 billion), with nearly 58% of the debt from GoNCTD and DPCL. Cash flow from operations was INR1.6 billion in FY16 (FY15: INR1.9 billion; FY14: negative INR1.2 billion). However, DTL's plans of incurring a capex of INR4 billion-INR5 billion annually over the next four years, along with the increase in debtors, which is likely to be funded through the debt provided by the GoNCTD, could lead to higher leverage.

Rating Sensitivities

Negative: The following factors would lead to a negative rating action:

- Non-recovery of past dues
- Build-up in receivables from discoms in Delhi, leading to the worsening of the liquidity situation
- Weakening of DTL's linkages with the government of National Capital Territory Delhi.

Outlook Revision: The Outlook will be revised to Stable after the resolution of the power situation in Delhi, as it would result in healthy direct payments from discoms, leading to an improvement in the liquidity situation.

Debt Structure

The long term borrowings of the company excluding the interest accrued and due on the borrowings declined to INR19.5 billion as of FYE17 from INR 22.8 billion as of FYE16. The company has repaid the loans from GNCTD of INR2.23 billion outstanding from GNCTD during FY17. Though the company has repaid the loans the interest on the same has not been paid and is accruing on the books of the company as is the case currently.

Ind-Ra expects the overall debt to stay largely at the same levels despite the planned annual capex of INR4 billion-4.5 billion driven by the recovery of past debtors and improvement in EBITDA in FY15.

Applicable Criteria

Corporate Rating Methodology January 2017

Key Contents

Key Rating Issues

Cost-plus Return on Capital Employed (RoCE) Business Model

DTL operates its transmission network on the cost-plus RoCE model under the DERC framework. The cost-plus model ensures a cost recovery including interest on term loans and loan repayments along with a fixed Return on Equity (RoE) (14% post tax). This ensures high stability and predictability of cash flows. Forex risk can also be passed on to off-takers. However, DERC follows a multi-year-tariff (MYT) framework wherein the tariff is set for a period of three years referred to as the control period. The MYT framework leads to high cash flow certainty during the control period. However, at the end of the final year of the control period when the true-up is done, it could lead to cash flow mismatches during the year following the final year of the control period

Higher ARR on DVB Arrears

DTL's ARR is primarily governed by the level of fixed asset capitalisation it achieves. Since DERC follows an MYT framework for tariff setting, a projected fixed asset capitalisation based on the plans submitted by DTL is considered by DERC while arriving at the ARR. The commission had arrived at an ARR or INR7.26 billion for FY16 for DTL. Additionally, the commission had done a true-up for the company for the period FY13 and FY14, which led to a revenue claw-back of INR1.84 billion in FY16. Moreover, DERC in FY16 formulated a recovery plan for the DVB arrears to the tune of 20% each year to be liquidated over a period of 5 years.

Figure 1
ARR Break-Down for FY16

Particulars	Amount (INR billion)
DVB arrears outstanding as of FYE14 [a]	11.46
True up impact for FY13 and FY14 [b]	1.85
Net DVB arrears outstanding [c=a-b]	9.61
Liquidation of 20% of DVB arrears [d=20%*c]	1 92
Unrecovered DVB arrears [e=c-d]	7 69
Carrying cost rate %[f]	11.5
Carrying cost [g=[c+e]/2*f]	0.995
Annual revenue requirement [h]	7.26
Total revenue requirement including DVB arrear liquidation and carrying cost [i=h+f+d]	10.18

Source: Ind-Ra, DTL

The tariff order for FY17 is yet to be finalised by the commission and even the true-up for FY15 and FY16 is pending. Ind-Ra has arrived at the true-up tariffs for FY15 and FY16 and believes that the impact of the true up of tariffs for FY15 and FY16 is likely to be INR1.3 billion for FY15 Moreover, DERC has not yet finalised the non-tariff income, expense capitalised and the fixed cost capitalisation figures which if different from those assumed by Ind-Ra would result in further revenue-clawback

DVB Arrears Allowed

Post the unbundling of DVB, DERC had held that the arrears pertaining to the pre-privatisation period to be paid by discoms to Delhi Power Company (holding company) be treated as receivable by DTL instead of the Delhi holding company. DERC adjusted DTL's revenue requirements downward by INR2.1 billion for FY03 and FY04, INR2.1 billion for FY05 and FY06 and INR2.18 billion for FY07, a cumulative of INR6.37 billion.

DTL filed an appeal before Appellate Tribunal for Electricity (ATE), which subsequently passed an order, stating that DTL was not entitled to receive any payment from the holding company as per the provisions of the unbundling and hence DTL's ARR must be revised. However, till FY13, DERC did not allow this amount to DTL. However, in the order passed by DERC on 31July 2013, DERC has finally recognised the DVB arrears along with carrying cost of INR16.87 billion as of FYE14

Ind-Ra notes the timeline for recovery of the remaining DVB arrears (INR11.46 billion as of FYE14) as the commission had allowed for only INR5.41 billion remains unclear. During FY16 also, though the commission allowed for the recovery of 20% of the DVB arrears along with the carrying cost, the timeline for the recovery of the balance amount has not been finalised yet.

Weak Counterparty Profile

DTL counterparties include discoms operating in Delhi, including - New Delhi Municipal Corporation (NDMC), BRPL, BYPL, Military Engineer Services (MES) and TPDDL. DTL derives nearly 60%-65% of its revenues from sale to BRPL and BYPL. The counter-party profile of both these discoms is weak and they have been delaying payments to the generators and DTL.

Figure 2
Revenue and Debtors

Particulars (INR million)	FY17(P)	FY16	FY15	FY14	FY13	FY12
Debtors	16,733	14,416	10,804	9,675	10,260	9,411
Revenue	10,920	11,130	8,149	5,323	7,856	14,122

P: Provisional numbers
Source: Ind-Ra, DTL

The payments receipt by DTL were largely on account of

1. Subsidy payments which are provided by GoNCTD to BRPL and BYPL are being routed to PPCL, IPGCL and DTL. The entire subsidy amount is not routed to the generators but part of the subsidy is given to the generators at the discretion of the GoNCTD depending on the excess availability over and above the funding required for the pension trust of erstwhile DVB.
2. Unscheduled Interchange (UI) charges due to BYPL and BRPL settled via NR-SLDC are given to the generators.
3. There were some monthly bills which were paid by BRPL and BYPL

According to the bulk power transmission agreement (BPTA) between Transco and the discoms, DTL has the option of discontinuing or deregulating transmission of power to the distributing companies in case of default, however, DTL could not take such an action as it is a politically sensitive decision.

Other than BRPL and BYPL, all discoms operating in Delhi have been making timely payments. DTL has been actively following up with both BRPL and BYPL for resolution of the outstanding dues. DTL is entitled to charge surcharge income from BRPL and BYPL on late payment of bills. However, the company has conservatively not been booking the surcharge as part of income currently in the P&L.

Figure 3
Debtor Break-Down Discom Wise

Discom (INR million)	FY17(P)	FY16	FY15	FY14
BRPL	9,354	7,402	5,797	5,601
BYPL	6,158	5,236	4,177	3,296
NDPL	1,363	1,621	677	531
MES	29	0	7	3
NDMC	115	158	133	244
Total	**16,733**	**14,416**	**10,804**	**9,675**

P: Provisional numbers
Source: Ind-Ra, DTL

Figure 4
% Debtor Break-Down Discom Wise

Discom (INR million)	FY17(P) (%)	FY16 (%)	FY15 (%)	FY14 (%)
BRPL	56	51	54	58
BYPL	37	36	39	34
NDPL	8	11	6	5
MES	1	0	0	0
NDMC	0	1	1	3
Total	**100**	**100**	**100**	**100**

P: Provisional numbers
Source: Ind-Ra, DTL

Reviewing Multiple Ways to Resolve Issue of Debtors

Support from the GoNCTD Through Subsidy Diversion

DTL expects to recover its current dues under the Supreme Court's recent directive on payment of current dues by discoms in Delhi. However, the implementation of the directive and actual recovery of current bills remains to be seen.

DTL has been receiving support from the GoNCTD by way of subsidy diversion and unscheduled interchange (UI) charges payable to BRPL and BYPL. DTL received no funds from BRPL and BYPL other than subsidy diversion from the GoNCTD during FY16. DTL is presently receiving 70% of the current billing to discoms, largely through subsidy diversion from the GoNCTD. DTL received INR0.8 billion in subsidy in 1HFY17 compared with INR1.5 billion in FY16, thus reflecting the operational support available to the company through the GoNCTD. The GoNCTD increased the budgetary allocation of subsidy for the power sector to INR16 billion for 2016-2017 from INR14 billion in 2015-2016. This reflects operational support available to IPGCL through the GoNCTD.

Financial Support from GoNCTD

GoNCTD continues to support DTL by way of short-term and long-term loans at competitive rate with a 12 to 15 year maturity profile. DTL relies on loans from GoNCTD for its capex programme though it also has access to long-term loans from the banking system. Moreover DTL has in the past got sanctions for conversion of loan into equity from GNCTD. It also enjoys the possibility of deferment of interest and principal repayment on GNCTD loans

Figure 5
Support from GoNCTD

Particulars (INR million)	FY16	FY15	FY14	FY13	FY12	FY11
Conversion of loan to equity by GNCTD						2.39
Outstanding loans from GNCTD	11.42	8.47	7.47	5.79	6.04	0.44
Outstanding loans from DPCL	2.0	2.0	2.0	1.5		
Grant from GNCTD		2.0				

Source: Ind-Ra, DTL

Figure 6
Rating Issues Register

Issue	Ind-Ra's view	Likelihood, timescale, rating impact
Regulated operations	DTL operations would continue under the cost-plus regulated equity framework outlined by DERC, ensuring stable and predictable cash flows.	Likelihood: High Timescale: Continuing Rating impact: Neutral
Operational efficiency	DTL is likely to operate its network efficiently, as reflected through higher network availability than the benchmark.	Likelihood: High Timescale: Continuing Rating impact: Neutral
Weak counterparty profile	The financial profile of two key Delhi discoms BRPL and BYPL continues to remain weak. Though, transmission agreements allow for service discontinuation in case of non-payment by discoms. The possibility of same remains limited as Delhi is the national capital and power regulation is a politically sensitive issue. The case for resolution of pending receivables has been pending in the Supreme Court since February 2016, however, in the meanwhile DTL has been receiving 70% of the monthly bills largely by way of subsidy diversion. Ind-Ra's expectation that DTL could recover only 60%-70% of its annual billings, which would result in further debtor build-up.	Likelihood: Moderate Timescale: FY18-FY19 Rating impact: Negative
Linkages with parent.	Ind-Ra expects GoNCTD to continue to support DTL through equity, short term and long term loans. In the past debt has also been converted into equity. Additionally, DTL has demonstrated ability to defer principal and interest payments on the loans availed from GoNCTD which provides additional comfort.	Likelihood: High Timescale: Continuing Rating impact: Neutral

Source: Ind-Ra, DTL

Figure 7

Sector Performance and Expectations

	FY14	FY15	FY16	Expectation
Revenue (INR million)	5,353	7,894	10,896	The net revenue increased to INR10.9 billion in FY16 on account of allowance of DVB arrears and its carrying cost. Ind-Ra estimates the revenue to have remained stable in FY17 and grow for FY18 on account of pending DVB arrears. According to FY17 provisional numbers, revenue was INR 10,920 million. DERC is yet to complete the true-up for FY15 and finalise the tariffs for the control period FY17-FY20.
EBITDA (INR million)	-189	6,001	9,105	
EBITDA (%)	-3.5	76.0	83.6	

Source: Ind Ra, DTL

Figure 8

Cash Flows

Cash flow (INR million)	FY16	FY15	FY14	FY13
Cash flow from operations	1,576	1,874	-1,020	1,037
Capital expenditure	-3,615	-2,568	-2,836	-2,844
Common dividend	0	0	0	0
Free cash flow	-2,039	-693	-3,856	-1,807

Source: Ind-Ra, DTL

The cash flow from operations for the company had been positive over FY13-FY16 barring FY14. The cash flow from operations continues to remain impacted on account of the negative change in working capital primarily low recovery from BRPL and BYPL. Given the high capital expenditure plans for network expansion, up-gradation and strengthening, the free cash flow from operations continues to remain negative.

Debt Structure

DTL has a healthy mix of bank loans and loans from GoNCTD. The loans are largely long-term in nature and used for funding the capex requirements of DTL.

Figure 9

Debt Structure

Particulars (INR million)	FY17 (P)	FY16	FY15	FY14
Power bonds	1,600	1,800	2,000	2,000
Long term bank loans	6,740	7,572	8,405	9,238
Working capital bank loans	0	0	750	1,516
GNCTD loans	11,192	11,425	8,475	7,475
Loans from DPCL	2,000	2,000	2,000	2,000
Total debt	**21,532**	**22,797**	**21,630**	**22,229**

P: Provisional
Source: DTL, Ind-Ra

Immediate Peer Group – Comparative Analysis

Sector Characteristics

Operating Risks

The key operating risk faced by transmission companies' is its ability to keep the network availability higher than the normative levels as a lower availability would lead to under-recovery of fixed costs. Additionally, the projects being undertaken could face time and cost overruns particularly on account of right of way issues and receipt of clearances. Generally, these time and cost overruns are allowed by the regulatory commissions after prudence check. However, any dis-allowance of such costs impacts cash-flows.

Financial Risks

The sector faces two financial risks, namely delays in receipt of payments from off-takers (primarily SPUs) and high financial leverage since most projects are financed in a D/E ratio of 70:30.

Figure 10
Peer Group Analysis

Financial year	FY16		
	Pragati Power Corporation Limited (IND BBB+/Stable)	West Bengal State Electricity Transmission Company Limited (IND A/Stable)	Delhi Transco (IND A/Negative)
Revenue (INR million)	21,588	12,427	10,896
EBITDA (INR million)	7,834	9,279	9,105
EBITDA margins (%)	36.3	74.7	83.6
Debt (INR million)	31,212	29,250	25,023
Net adjusted financial leverage (x)	3.98	2.89	2.42
Gross interest coverage (x)	2.36	3.42	2.69

Source: Ind-Ra, companies

Key Credit Characteristics

The key characteristics used to differentiate between ratings in the transmission sector include the size of capital expenditure, funding pattern, network maintenance, execution capability, credit strength of off-taker, collection efficiency, balance sheet strength of company, liquidity cushion and sponsor support among others.

Overview of Companies

Pragati Power Corporation Limited (PPCL)

PPCL operates two gas-based power plants (Pragati Power Station-1 (330MW), Pragati Power Station-III-1371MW) under the regulated cost-plus return on equity (RoE) model, allowing a reasonable RoE along with a recovery of reasonable costs under the regulatory framework. PPCL-I is regulated by the Delhi Electricity Regulatory Commission (DERC) and PPCL-III by the Central Electricity Regulatory Commission (CERC).

West Bengal State Electricity Transmission Company Limited (WBETCL)

WBETCL was incorporated in April 2007, post unbundling of erstwhile West Bengal State Electricity Board (WBSEB) on functional lines in line with the requirement under Electricity Act 2003. WBSEB has been unbundled into WBETCL and West Bengal State Electricity Distribution Company Limited (WBSEDCL) WBSETCL is responsible for transmitting power at 400KV, 220KV, 132KV and 66KV throughout West Bengal.

Key Debt Instruments as on 31 March 2017

Figure 11

Long-Term Loans/Facilities

Loan	Rating/Outlook	Outstanding/sanction (INR billion)
Allahabad Bank	IND A/Negative	3.24
State Bank of India	IND A/Negative	3.49
Total long term loans		**6.73**

Source: Ind-Ra, DTL

Figure 12

Bonds

Bonds	Rating/Outlook	Outstanding/sanction (INR million)
Bond programme	IND A/Negative	1.6
Total bonds programme		**1.6**

Source: Ind-Ra, DTL

Figure 13

Working Capital Facilities

Non fund-based limits	Rating/Outlook	Sanction (INR million)
Union Bank of India	IND A/Negative/IND A1	1.0
Total non-fund-based limits		**1.0**

Source: Ind-Ra, DTL

Figure 14

Working Capital Facilities

Fund-based limits	Rating/Outlook	Sanction (INR billion)
State Bank of India	IND A/Negative/IND A1	0.75
Allahabad Bank	IND A/Negative/IND A1	1.00
Total fund-based limits		**1.75**

Source: Ind-Ra, DTL

Historical Financial Information

Figure 15

Delhi Transco Limited

(INR million)	FY16	FY15	FY14	FY13
Income statement				
Gross revenue (+)	10,896	7,894	5,353	7,858
Revenue growth (%)	38.0	47.5	-31.9	-44.4
Operating EBITDA	9,105	6,001	-189	4,772
Operating EBITDA margin (%)	83.6	76.0	-3.5	60.7
Operating EBITDAR	9,105	6,001	-189	4,772
Operating EBITDAR margin (%)	83.6	76.0	-3.5	60.7
Operating EBIT	7,067	4,486	-1,384	3,688
Operating EBIT margin (%)	64.9	56.9	-25.9	46.9
Gross interest expense	2,042	1,377	865	1,091
Pre-tax income	5,576	3,783	-2,000	3,272
Net income	4,383	3,241	-2,000	2,614
Summary balance sheet				
Cash & equivalents	3,017	3,009	2,070	2,581
Working capital	14,166	10,818	9,828	10,180
Accounts receivable	14,416	10,792	9,676	10,260
Inventory	95	120	161	163
Accounts payable	345	93	9	243
Total debt with equity credit	25,023	22,998	22,896	19,596
Short-term debt	3,849	3,938	3,938	1,500
Long-term senior secured debt	9,573	10,408	11,284	12,085
Long-term senior unsecured debt	0	0	0	0
Long-term subordinated debt	0	0	0	0
Other debt	11,602	8,652	7,673	6,011
Equity credit	0	0	0	0
Total adjusted debt with equity credit	25,023	22,998	22,896	19,596
Summary cash flow statement				
Operating EBITDA	9,105	6,001	-189	4,772
Cash interest	-2,042	-1,377	-865	-1,091
Cash tax	-1,760	-1,328	-536	-906
Non-controlling interest	0	0	0	-119
Other items before FFO	318	969	175	281
Funds flow from operations	5,929	4,241	-1,134	3,290
Change in working capital	-4,353	-2,367	114	-2,254
Cash flow from operations	1,576	1,874	-1,020	1,037
Total non-operating/non-recurring cash flow	0	0	0	0
Capital expenditures	-3,615	-2,568	-2,836	-2,844
Common dividends	0	0	0	0
Free cash flow	-2,039	-693	-3,856	-1,807
Free cash flow margin (%)	-19	-9	-72	-23
Net acquisitions & divestitures	-2	0	45	9
Other cash flow items	0	0	0	0
Cash flow from investing	-3,617	-2,568	-2,791	-2,834
Net debt proceeds	2,025	0	0	0
Net equity proceeds	0	0	0	0
Cash flow from financing	2,049	1,530	0	0
Total change in cash	8	836	-3,811	-1,798
Coverage ratios (x)				
FFO interest coverage	3.75	4.10	-0.64	3.69
FFO fixed charge coverage	3.75	4.10	-0.64	3.69
Operating EBITDAR/gross interest expense + rents	4.46	4.36	-0.22	4.37
Operating EBITDAR/net interest expense + rents	5.25	4.28	-0.32	6.46
Operating EBITDA/gross interest expense	4.46	4.36	-0.22	4.37
Leverage ratios (x)				
Total adjusted debt/operating EBITDAR	2.75	3.83	-121.35	4.11
Total adjusted net debt/operating EBITDAR	2.42	3.33	-110.38	3.57
Total debt with equity credit/operating EBITDA	2.75	3.83	-121.35	4.11
FFO adjusted leverage	3.27	4.08	-41.63	4.86
FFO adjusted net leverage	2.87	3.54	-37.87	4.22

Source: Ind-Ra, DTL

The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings and Research has been compensated for the provision of the ratings.