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/ 2016-17 / 171 Date: 10th February, 2017

Mr. P. D. Agarwal,
Deputy General Manager and Compliance Officer,
IFCI Limited, IFCI Tower,
61, Nehru Place,
New Delhi

Dear Sir,

Please find enclosed herewith Quarterly Report for the period ending December 31, 2016. We also confirm that:-

1. There is no major change in the composition of Board of Directors, which may amount to change in control as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
2. Delhi Transco Limited has complied with the provisions of Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as the provisions of the Trust deed.
3. Delhi Transco Limited has not received any complaint during the period ending 31st December, 2016. There are also no pendencies of any complaints. and
4. There are no outstanding litigations, which would materially affect interest of the Debenture holders.

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/16-17/ Dated: 09.02.2017

Asst. Company Secretary
Shakti Sadan
Delhi

Quarterly Report for the period ended 31.12.2016 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 ,2016)

   Principal was paid on time (Dated-March 2 ,2016)

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 2017.

   The next due date for payment of principal is 2ndMarch 2017.

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.90 Cr (as on 31.03.2016).(extract of Financial Statement enclosed-Annexure-A)

   For FY 2016-17 Auditor Certificate will be provided shortly.

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

   Interest paid up to the due date i.e 2nd September 2016.

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

   1st installment of Debenture redeemed on 2nd March 2016.

6. **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.(Annexure-B)

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7. In case of default (Principal and Interest), number of installments defaulted as on December 31,2016 with amount overdue.

   No default reported.

8. 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 will be provided shortly.

9. 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 and any deficit in this account shall be met out from the additional loan from bank.

10. Repayment Schedule

    Annexure-c

11. 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.

    Annexure-D-Crisil-BBB+/Negative(Reaffirmed)

    Annexure-E-India Rating (Fitch)-"IND A"/Outlook Negative

    The above credit ratings are the latest conducted by the agencies and are also available on their respective websites.

For Submission to IFCI limited.

Vikas Mangla

(Vikas Mangla)
DM(F), Central Accounts

P. K. MALLIK
ED (CG) & CO. SECY.

Annexure-'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: 91-11-26227853, 41731475
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LIMITED REVIEW REPORT

To,
The Board of Directors,
M/s. Delhi Transco Limited,
New Delhi

We have reviewed the accompanying statement of unaudited financial results of M/s Delhi Transco Limited, Shakti Sadan, Kotla Road, New Delhi - 110002 for the half year ended 30th September 2016. This statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on this financial statement based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, Engagements to Review Financial Statements issued by the institute of Chartered Accountants of India. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our notice that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standard and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 29 of the Listing Agreement for debt securities including the manner in which it is to be disclosed, or that it contains any material misstatement.

For S. N. Nanda & Co.
Chartered Accountants
FRN: 000685N

S.N. NANDA & CO. Chartered Accountants NEW DELHI

S. N. Nanda
Partner
M. No. 005909

P. K. MALLIK
ED (CG) & CO. SECY.

Date:15th December 2016
Place: New Delhi

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

Unaudited Financial Results for Half Year Ending 30th September 2016

(Rs. In Lakhs)

S.No.	PARTICULARS	6 months ended 30.09.2016	6 months ended 30.09.2015	Previous Accounting Year Ended 31.3.2016
		(Limited Review)	(Limited Review)	(Audited)
1	Income			
(a)	Net Sales/Income from Operations	51,511.79	51,653.19	1,02,744.56
(b)	Other Operating Income	3,195.87	2,395.56	8,553.10
	TOTAL	54,707.66	54,048.75	1,11,297.66
2	Expenditure			
(a)	Increase/Decrease in stock in trade & Work in Progress			
(b)	Consumption of Raw Materials			
(c)	Purchase of traded goods			
(d)	Employee Cost	6,756.14	5,520.90	12,431.59
(e)	Depreciation	10,230.34	9,024.95	20,248.40
(f)	Transmission,Administration and other expenses	2,631.99	2,952.56	8,207.56
	TOTAL	19,618.47	17,498.41	40,887.55
3	Profit from operations before other income, interest & exceptional items (1-2)	35,089.19	36,550.34	70,410.11
4	Other Income	807.87	3,823.20	5,653.24
5	Profit before Interest & Exceptional Items(3+4)	35,897.06	40,373.54	76,063.35
6	Interest (Paid on Loans)	10,170.05	9,118.71	19,887.08
7	Exceptional Items			
8	Profit/Loss from ordinary activities before tax (5-6-7)	25,727.01	31,254.83	56,176.27
9	Tax expenses	5,490.66	6,670.41	11,928.44
10	Net Profit/Loss from ordinary activities after tax (8-9)	20,236.35	24,584.42	44,247.83
11	Extraordinary Items	0.00	0.00	283.33
12	Net Profit/Loss for the period	20,236.35	24,584.42	43,964.50
13	Paid up equity share capital(Face value of share shall be indicated)Face value of Rs.10 each	3,95,100.00	395100.00	395100.00
14	Paid up Debt capital	2,24,639.98	2,22,459.69	2,27,973.67
15	Reserves excluding revaluation reserves at the end of Financial Year	(1,42,761.42)	(2,03,292.38)	(1,62,997.77)
16	Debenture Redemption Reserve	9,000.00	10,000.00	9,000.00
17	Earning Per Share(EPS)	0.51	0.62	1.11
18	Debt Equity Ratio	0.57	0.56	0.58
19	Debt Service Coverage Ratio	3.19	3.43	2.43
20	Interest Service Coverage Ratio	4.15	4.46	4.42

S.N. NANDA & CO. Chartered Accountants NEW DELHI

P. K. MALLIK
ED (CG) & CO. SECY.

Director (Finance)

जे. पी. एस. चावला
निदेशक (वित्त)

Notes forming part of half yearly financial results for the period ending 30th September 2016.

1. The company is primarily engaged in the business of Transmission of Electricity in the National Capital Territory of Delhi which is a single segment as per the Accounting Standard 17 (AS 17) issued by The Institute of Chartered Accountants of India (ICAI). The accounts are maintained on accrual system of accounting & historical cost basis.

2. As per the approved accounting policy of the company being followed consistently in relation to Revenue Recognition, the operational income (tariff income) has been recognized on the basis of tariff order passed by DERC for the Financial Year 2015-16 as the tariff order for 2016-17 is yet to be issued by DERC. Accordingly, for the period ended 30th September, 2016, a sum of Rs.510.60 crore (Rs.512.01 Crore on 30th September, 2015) has been accounted for as tariff income against wheeling charges. Similarly on the basis of last tariff order passed by DERC for SLDC charges, a sum of Rs.4.52 crore has been accounted for as tariff income from SLDC charges during the half year ended on 30th September 2016. The income from wheeling charges and SLDC charges form the part of income from operations in the accompanying half yearly financial results.

3. In the half year ended on 30th September 2015,the company had received a sum of Rs.30.09 Crore as the credit towards revised tariff from NTPC against the power purchased before 01.04.2007. The amount of this income had been included on the heading "Other Income" in the said period. However, for the half year ended 30.09.2016 ,the company has not received/paid any amount on account of revised tariff cost.

4. Company has not computed deferred tax since previous years on account of accumulated unabsorbed losses.

5. Debentures amounting to Rs.20 Crore were redeemed on the date of maturity ie. 2nd March 2016 on yearly basis. The closing balance of Debentures as on 30th September 2016 is Rs.180 Crore.

6. As per transfer scheme of unbundling of Delhi Vidyut Board (DVB), a Trust designated as Delhi Vidyut Board Employee Terminal Benefit Fund 2002(ETBF) was established by GNCTD for the payment of post retirement benefits to the employees of erstwhile DVB. The said Trust was funded by GNCTD initially at the time of unbundling and is required to be subsequently funded through the contributions by the successor entities including Delhi Transco Ltd. As per the provisions of AS 15, the defined benefit obligations (post retirement benefits) existing as on date of closing of accounts whether half yearly or yearly as the case may be with the break up in current year service cost and past year service cost is required to be charged to Profit and Loss account of the year concerned. As per AS15, the value of the aforesaid defined benefit obligations should be accounted for in the accounts on the basis of actuarial valuation. However, pending the actuarial valuation of the obligations of the Pension Trust towards retirement benefits of the employees as on current date (i.e 30th September, 2016), the shortfall, if any, of the contribution payable by the Company to the Pension Trust as on that date could not be ascertained and accounted for accordingly in the accompanying Financial Results.

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7. The company is liable to pay revised wage with effect from 1st January,2016 in accordance with recommendation of 7th Pay commission. The effect of the same has not been ascertained and provided for.

8. Statutory Auditors for FY 2015-16 have qualified in their report on the following matters.

i. As per Accounting Policy "The surcharge on late payment/ overdue sundry debtors for sale of energy/ Wheeling Charges is not treated accrued due to uncertainty of its realization and is, therefore, accounted for on receipt basis". During the year 2015-16, the company has recognized Rs. 2333.55 lakhs as income equivalent to TDS deposited by the debtors. As per Accounting Standard-9, "Revenue Recognition", revenue should be recognized if there is no uncertainty. As debtors have deducted & deposited TDS, the income became certain and gross amount Rs. 23335.45 lakhs should have been recognized. Therefore, the profit of the company is understated by the Rs. 21001.91 lakhs.

ii. As per Accounting Standard- 10, "Accounting for Fixed Assets", Machinery spares procured along with the Plant & Machinery or subsequently and whose use is expected to be irregular are capitalized. The Company has not identified such machinery spares.

iii. Employees employed by the company after the unbundling i.e. other than DVB employees are eligible to receive LTC during the period of employment and Baggage allowances at the time of retirement. As per Accounting Standard-15, "Employee benefits", the liability is required to be determined based on actuarial valuation, which has not been determined and provided.

iv. Non provision of the cumulative shortfall as on 31st March 2016 if any in the recognition of expenditure on retirement benefits in respect of employees employed before unbundling of DVB, company's share of liability has not be ascertained pending the actuarial valuation of the present value of obligations of the Pension Trust towards retirement benefits.

v. As per Accounting Standard-22, "Accounting for Taxes on Income", Deferred tax is to be computed and recognized. The company has not recognized such deferred tax.

vi. Land under the head "Fixed Assets" in the Balance Sheet amounting to Rs. 7151.14 lakhs, is in the name of Government of National Capital Territory of Delhi. This amount represents payment made by the company on account of compensation etc. As the land has been given

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to the company for use only, the amount should be amortized over its useful life as per Accounting Standard-26, "Intangible Assets". The company has not ascertained the useful life of asset.

vii. The company has disclosed various contingent liabilities on account of arbitration/court cases, property tax and other claims. The company has not ascertained the probable outflow as required by Accounting Standard 29, "Provisions, Contingent Liabilities and Contingent Assets".

viii. In accordance with recommendation of 7[th] Pay commission, the company is liable to pay revised wages with effect from 1[st] January, 2016. The effect of the same has not been ascertained and provided.

ix. Balances of sundry debtors, sundry creditors and advance to other parties are subject to confirmation & reconciliation. The effect of the same is not ascertainable.

x. The company is maintaining a parking account i.e. GR/IR account which has not been reconciled since 2010. The effect of the same has not been ascertained.

xi. The company in previous years had accounted for cost of SCADA equipment Rs 3955.10 lakhs as Fixed Assets and liability of Rs. 3431.00 lakhs due to PGCIL. Honorable DERC had ordered that the liability is not of the company w.e.f. 1[st] April, 2007. The company continued to claim depreciation on the same till 31[st] March, 2009. The Asset and the Liability amounting to Rs.197.75 lakhs & Rs.1769.42 lakhs is not of the company, but the same are appearing in the Balance Sheet of the company.

xii. The company is discharging function of SLDC-UI energy as a nodal agency. Their bank accounts are in the name of the company but the same are not included in the financial statements. The company as a nodal agency earned interest of Rs. 3325.63 lakhs on fixed deposits on which TDS Rs 33.25 lakhs was deducted. No records for the functions of SLDC UI energy have been maintained.

xiii. According to the information given to us, the company has not established its financial control over financial reporting on criteria based on or considering the essential components of internal control stated in the Guidance note on Audit of Internal Financial Controls over Financial Reporting issued by Institute of Chartered Accountants of India. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at 31[st] March 2016.

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S.N. NANDA & CO. Chartered Accountants NEW DELHI

Directions have been given by the Board of Directors for taking actions on the above observations of the Statutory Auditor. Financial impact of above observations has not been ascertained and taken in accompanying financial results.

9. No investor complaints were pending at the beginning of half year and no complaints were received during the said half year.

10. Previous period's figures have been regrouped/re-classified wherever deemed necessary.

11. Delhi Transco Limited is in the process of implementing IND AS. Therefore these results have been prepared in accordance with Accounting Standards specified under Section 133 of the Companies Act 2013 read with rule 7 of the Companies (Accounts) Rule 2014.

The results for the period ending 30th September 2016 have been subjected to limited review by the Statutory Auditors appointed by the company and were taken on record by the Board of Directors at their meeting held on 14th December, 2016.

Jitendra

(J.P.S. Chawla)
Director (Finance)

जे. पी. एस. चावला
निदेशक (वित्त)

Date: 14th December, 2016.
Place : New Delhi

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Annexure - B

Note 3

Share Capital

(₹ In Lakhs)

Share Capital	2015-16	2014-15
	Amount	Amount
Authorised		
45000 Lakh Equity Shares of ₹10 each	4,50,000.00	4,50,000.00
Issued, Subscribed & Paid up		
39510 Lakhs Equity Shares of ₹10 each out of which 2600 Lakhs Equity shares of ₹10 each are held by Delhi Power Company Ltd and 36910 Lakhs Equity Shares of ₹10 each held by Govt. of NCT of Delhi	3,95,100.00	3,95,100.00
Total	3,95,100.00	3,95,100.00

Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period i.e. 2015-16

(Fig. in Lakhs)

Particulars	2015-16		2014-15	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	39,510.00	3,95,100.00	39,510.00	3,95,100.00
Shares issued to Govt. of NCT of Delhi				
Shares issued to Delhi Power Company Ltd				
Shares bought back during the year				
Shares outstanding at the end of the year	39,510.00	3,95,100.00	39,510.00	3,95,100.00

Shares in the company held by each shareholder holding more than 5 percent shares

Name of Shareholder	2015-16		2014-15	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Delhi Power Company Ltd.	26,00,00,000	6.58	26,00,00,000	6.58
Govt of NCT of Delhi	3,69,10,00,000	93.42	3,69,10,00,000	93.42
	3,95,10,00,000	100.00	3,95,10,00,000	100.00

Note 4

Reserves and surplus

(₹ In Lakhs)

	2015-16	2014-15
	Amount	Amount
A. Debenture Redemption Reserve		
Opening Balance	10,000.00	8,000.00
(+) Current Year Transfer +ve/(-ve)	(1,000.00)	2,000.00
Closing Balance	9,000.00	10,000.00
B. Insurance Reserve		
Opening Balance	1,433.54	1,046.19
(+) Current Year Transfer	433.23	387.35
Closing Balance	1,866.77	1,433.54
C.Capital Reserve		
Opening Balance (Grant-in-Aid)	20,000.00	
(+) Current Year Transfer		20,000.00
(-) Transferred to Income	(85.46)	
Closing Balance	19,914.54	20,000.00
D.Surplus		
Opening balance	(2,29,310.34)	(2,59,322.94)
(+) Net Profit/(Net Loss) For the current year	43,964.49	32,409.27
(+) Depreciation due to change in policy/useful life of assets +ve/(-ve)		(9.27)
(+) Transfer to Reserves-+ve/(-ve)	566.77	(2,387.35)
Closing Balance	(1,84,779.08)	(2,29,310.34)
Total (A+B+C)	(1,53,997.77)	(1,97,876.80)

(i) Insurance Reserve : Insurance Reserve has been created during the current year as per the policy of the Company

(ii) **Debenture (Bonds) Redemption Reserve:** In terms of Section 71 (4) of the Companies Act,2013 and the SEBI Guidelines, the company has maintained Debenture (Bonds) Redemption Reserve amounting to ₹9000 lakhs out of the profits being 50% of the amount of Bonds outstanding.

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Annexure-'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**	

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ED (CG) & CO. SECY.

Annexure - D

Rating Rationale

CRISIL RATINGS

April 20, 2016
Mumbai

Delhi Transco Limited

Rating Reaffirmed

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

CRISIL's rating on the long term bonds of Delhi Transco Limited (DTL) continues to reflect its established market position driven by its monopoly in the intra-state power transmission business in Delhi, its full recovery of costs supported by the regulated tariff structure, and its efficient operations. These rating strengths are partially offset by the company's weak counterparty credit profile leading to delays in realisation of the receivables, exposure to risks related to implementation of its large, capital expenditure (capex) plans, and its modest financial risk profile.

The rating reaffirmation centrally factors in CRISIL's expectation that the contempt of court case filed by DTL for recovery of dues from BSES Rajdhani Power Ltd (BRPL) and BSES Yamuna Power Ltd (BYPL) will have a favourable outcome for DTL and will at the least start resulting in realisation of current dues from these discoms over the next 3 to 4 months improving DTL's liquidity position. In light of the same, start of timely realisation of current transmission charges from BRPL and BYPL over the near term will be a key rating sensitivity factor. DTL had filed a contempt of court case against BRPL and BYPL on account of discontinuation of payment of current dues since October 2014 and December 2014 respectively. The Hon'ble Supreme court had on March 26, 2014, ordered BYPL and BRPL to clear all current dues to DTL starting from January 2014 until the issues regarding the regulatory assets in the books of discoms are resolved.

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.

Moreover, 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 for 11 months through February 2016, as against the performance benchmark of 98 percent set by regulator for full recovery of costs and RoCE.

These rating strengths are partially offset by DTL's exposure to weak counterparty risk profile. The company's major counterparties, BRPL and BYPL, have a weak financial risk profile because of high regulatory assets (Rs.148.38 billion in BRPL and Rs.91.28 billion in BYPL as on March 31, 2014[1]) 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.16.63 billion as on December 31, 2015, from Rs.3.79 billion as on March 31, 2011. This build up is despite GoNCTD directly paying the power subsidy, attributable to BRPL and BYPL, to DTL in 2015-16 amounting to Rs.1.48 billion. Such a large build-up in receivables has adversely impacted the liquidity, and consequently, the financial risk profile of DTL. Hence recovery of receivables will be a key rating sensitivity factor over the near term. However, the financial risk profile is supported by flexibility to defer payment of interest and principal obligations to GoNCTD and Delhi Power Company Ltd (DPCL), which together constitute up to half the total debt outstanding as on December 31, 2015.

Moreover, DTL's cash flows are dependent on successful implementation and subsequent approval of its capex by DERC. DTL's capex was Rs.24.19 billion between March 31, 2010, and March 31, 2015, of which Rs.3.20 billion was capital work-in-progress as on March 31, 2015. 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 2013-14 (refers to financial year, April 1 to March 31) of Rs.10.35 billion primarily due to downward revision in the capitalisation approved by DERC from 2007-08 to 2011-12 in the tariff order released in July 2013 as a result of lower actual capex incurred during the period. Hence CRISIL believes capitalisation approved in subsequent tariff orders of DERC will be a key monitorable.

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 and BYPL do not start over 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.

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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 privatised and were renamed BRPL and BYPL, and North Delhi Power Ltd (now 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.3.24 billion on sales of Rs.8.39 billion for 2014-15, against a net loss of Rs.2.00 billion on sales of Rs.5.47 billion for 2013-14.

[1]*Comparison of Staff Paper based on BRPL, BYPL, Tata Power Delhi Distribution Ltd (PDDL) Petition for True up for 2012-13, APR for 2013-14, and ARR for 2014-15 (DERC Website).*

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Annexure-'E'

India Ratings Downgrades Delhi Transco to 'IND A'; Outlook Negative

Home · Press Releases · India Ratings Downgrades Delhi Transco to 'IND A'; Outlook Negative
26 Dec 2016

By Vivek Jain

India Ratings and Research (Ind-Ra) has downgraded Delhi Transco Limited's (DTL) Long-Term Issuer Rating to 'IND A' from 'IND A+'. The Outlook is Negative. A full list of rating actions is at the end of the commentary.

KEY RATING DRIVERS

Weak Counterparty Profile: The downgrade reflects continued debtor build-up. Debtors increased to INR14.16 billion at FYE16 (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 1-2 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

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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 GoNCTD

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.

COMPANY PROFILE

Incorporated in 2002, DTL is a state-owned transmission utility that operates in the national capital region of Delhi. At FYE16, DTL's revenue stood at INR10.9 billion (FYE15: INR7.9 billion). Its EBITDA was INR9.1 billion (INR6 billion) and profit after tax was INR4.4 billion (INR3.2 billion).

DTL's ratings:

- Long-Term Issuer Rating: downgraded to 'IND A'; Outlook Negative from 'IND A+'; Outlook Stable
- INR5 billion long-term loans: downgraded to 'IND A'; Outlook Negative from 'IND A+'; Outlook Stable
- INR2 billion bond programme: downgraded to 'IND A'; Outlook Negative from 'IND A+'; Outlook Stable
- Proposed INR5 billion bond programme: 'IND A+'; Outlook Stable; rating withdrawn*
- INR1 billion non-fund-based working capital bank facility (carved out of long-term bank loan facility): downgraded to 'IND A'; Outlook Negative' from 'IND A+'; Outlook Stable and affirmed at 'IND A1'
- INR1 billion fund-based working capital limits: downgraded to 'IND A'; Outlook Negative from 'IND A+'; Outlook Stable and affirmed at 'IND A1'

*The ratings have been withdrawn as the company does not intend to raise the said bonds.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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