CRISIL RATINGS

Rating Rationale

July 29, 2010
Mumbai

CRISIL revises rating outlook on DELHI TRANSCO to 'Positive'

Rs.2 Billion Bond Issue	**A+/Positive (Reaffirmed; outlook revised from 'Stable')**
Rs.5 Billion Bond Issue	**A+/Positive (Assigned)**

CRISIL has revised its rating outlook on the bond issues of Delhi Transco Ltd (DTL) to **'Positive'** from 'Stable', while reaffirming the rating at **'A+'**. The outlook revision reflects an improvement in the company's capital structure following the conversion of a significant portion of the loan provided by the Government of National Capital Territory of Delhi (GNCTD) to DTL, into equity. This shows the strong support that the company enjoys from GNCTD, which stems from the critical role that the company plays in power transmission, and in coordination and monitoring of power flow within Delhi. DTL's gearing, which was at 6.4 times as on March 31, 2010, will improve with the conversion of Rs.2.39 billion loan provided by GNCTD into equity. DTL's financial risk profile is expected to improve significantly over the near to medium term in case of realisation of past dues from the power distribution companies (discoms), as approved by the appellate tribunal.

CRISIL's rating on DTL's debt programmes continues to reflect DTL's monopoly position in intra-state power transmission business in Delhi, stable cash flows supported by the regulated nature of its business, and efficient operations. These strengths are partially offset by DTL's leveraged financial risk profile, and exposure to risks relating to large debt-funded capital expenditure (capex) programmes.

DTL enjoys a natural monopoly and transmits power generated at the central generating utilities Pragati Power Corporation Ltd (PPCL) and Indraprastha Power Generation Company Ltd (IPGCL), and other private generators to the discoms in the state. The tariff determined by the Delhi Electricity Regulatory Commission, helps DTL recover full expenses and return on equity (RoE) based on network availability rather than on actual usage. DTL's losses from transmission on its own network were low, at 1.38 per cent of the total power transmitted, in 2009-10 (refers to financial year, April 1 to March 31). The availability of the company's transmission network was high at 98.30 per cent in 2009-10; this exceeds the performance benchmark of 98 per cent set by the regulator for full recovery of fixed costs.

Outlook: Positive

CRISIL believes that DTL will maintain its dominant position in intra-state transmission of power in Delhi on the back of a favourable regulatory framework and high operational efficiency. The rating may be upgraded if there is a significant improvement in DTL's financial risk profile following realisation of arrears from discoms. Conversely, the outlook may be revised to 'Stable' if there is a significant delay in receipt of payments from discoms exerting pressure on the company's liquidity, or if there is a deterioration in the financial risk profile of DTL.

About the Company

Set up in 2001, DTL is wholly owned by GNCTD. As envisioned in the Delhi Electricity Reform (Transfer Scheme) Rules, 2001, the erstwhile Delhi Vidyut Board (DVB) was unbundled into one holding company (DPCL), two generation companies (IPGCL and PPCL), a transmission company (DTL), and three distribution companies (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 as BSES Rajdhani Power Ltd, BSES Yamuna Power Ltd and North Delhi Power Ltd.

DTL was initially engaged in transmission and bulk power trading. Under the provisions of the Electricity Act 2003, DTL was also divested of its bulk supply business in April 2007; this business was transferred to the three discoms. All power purchase agreements (PPAs) entered into 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 scheme, DTL is currently engaged in transmission and has been designated as the State Transmission Utility in the National Capital Territory of Delhi.

DTL reported, on a provisional basis, a profit after tax (PAT) of Rs.826 million on net sales of Rs.3.69 billion for 2009-10, as against a PAT of Rs.635 million on net sales of Rs.3.73 billion for 2008-09.

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Rating Rationale

February 23, 2012
Mumbai

Delhi Transco Limited

Rating Reaffirmed

Rs.2 Billion Bond Issue	**CRISIL A+/Positive (Reaffirmed)**
Rs.5 Billion Bond Issue	**CRISIL A+/Positive (Reaffirmed)**

CRISIL's rating on the bond issues of Delhi Transco Ltd (DTL) continues to reflect the benefits that DTL derives from its monopoly position in the intra-state power transmission business in Delhi, its stable cash flows supported by the regulated nature of its business, and its efficient operations. These rating strengths are partially offset by DTL's leveraged financial risk profile, marked by high gearing and moderate debt protection metrics, and exposure to risks related to large, debt-funded capital expenditure (capex) programmes.

DTL enjoys a natural monopoly and transmits power generated at the central generating utilities, Pragati Power Corporation Ltd (PPCL) and Indraprastha Power Generation Company Ltd (IPGCL), and other private generators to the discoms in the state. The tariff determined by the Delhi Electricity Regulatory Commission, helps DTL recover full expenses and return on equity based on network availability rather than on actual usage. DTL's losses from transmission on its own network were low, at 1.28 per cent of the total power transmitted, in 2010-11 (refers to financial year, April 1 to March 31). The availability of the company's transmission network was high at 98.58 per cent in 2010-11; this exceeds the performance benchmark of 98 per cent set by the regulator for full recovery of fixed costs.

Outlook: Positive

CRISIL believes that DTL will maintain its dominant position in intra-state transmission of power in Delhi on the back of a favourable regulatory framework and high operational efficiency. The rating may be upgraded if there is a significant improvement in DTL's financial risk profile following realisation of arrears from discoms. Conversely, the outlook may be revised to 'Stable' if there is a significant delay in receipt of payments from discoms exerting pressure on the company's liquidity, or if there is a deterioration in the financial risk profile of DTL.

About the Company

Set up in 2001, DTL is wholly owned by Government of National Capital Territory of Delhi. As envisioned in the Delhi Electricity Reform (Transfer Scheme) Rules, 2001, the erstwhile Delhi Vidyut Board was unbundled into one holding company (Delhi Power Company Ltd), two generation companies (IPGCL and PPCL), a transmission company (DTL), and three distribution companies (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 as BSES Rajdhani Power Ltd, BSES Yamuna Power Ltd, and North Delhi Power Ltd.

DTL was initially engaged in transmission and bulk power trading. Under the provisions of the Electricity Act 2003, DTL was also divested of its bulk supply business in April 2007; this business was transferred to the three discoms. All power purchase agreements entered into 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 scheme, DTL is currently engaged in transmission and has been designated as the state transmission utility in the National Capital Territory of Delhi.

DTL reported a profit after tax (PAT) of Rs.1.34 billion on net sales of Rs.4.54 billion for 2010-11, against a PAT of Rs.772.7 million on net sales of Rs.3.36 billion for 2009-10.

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February 23, 2012 *http://www.crisil.com*

CRISIL has revised its rating symbols and definitions with effect from July 11, 2011, to comply with the SEBI circular, 'Standardisation of Rating Symbols and Definitions'. The revised rating symbols carry the prefix, 'CRISIL'. The rating symbols for short-term instruments have been revised to 'CRISIL A1', 'CRISIL A2', 'CRISIL A3', 'CRISIL A4', and 'CRISIL D' from the earlier 'P1', 'P2', 'P3', 'P4', and 'P5', respectively. The revision in the rating symbols and definitions is not to be construed as a change in the ratings. For details on revised rating symbols and definitions, please refer to the document, 'Revision of Rating Symbols and Definitions', at the link, **http://www.crisil.com/ratings/credit-rating-scale.html**

Rating Rationale

August 13, 2012
Mumbai

Delhi Transco Limited

Rating outlook revised to 'Stable'

Bonds Aggregating Rs.7 Billion	**CRISIL A+/Stable (Outlook Revised from 'Positive' and Rating Reaffirmed)**

CRISIL has revised its rating outlook on the long-term debt instruments (bond issues) of Delhi Transco Ltd (DTL) to '**Stable**' from 'Positive', while reaffirming the rating at '**CRISIL A+**'.

The outlook revision reflects expected impact on DTL's financial risk profile over the medium term, as a result of delays the company has faced over the past eight to nine months in recovering arrears from power distribution companies (discoms). DTL is facing challenges in recovering due payments from its key customers, which has resulted in its debtor pile-up. Nevertheless, DTL's liquidity is supported by its current cash and bank balances of around Rs.1.5 billion and expectation of improved realisations from the discoms after the recent tariff hike.

The rating continues to reflect the benefits that DTL derives from its monopoly in the intra-state power transmission business in Delhi, its stable cash flows, supported by the regulated nature of the business, and its efficient operations. These rating strengths are partially offset by DTL's modest financial risk profile, marked by high gearing and moderate debt protection metrics, and exposure to risks related to its large, planned, debt-funded capital expenditure (capex) programmes.

DTL enjoys a natural monopoly and transmits power at the central generating utilities, Pragati Power Corporation Ltd (PPCL) and Indraprastha Power Generation Company Ltd (IPGCL), and at other private generators to the discoms in Delhi. The tariff determined by the Delhi Electricity Regulatory Commission (DERC) helps DTL recover full expenses and return on equity based on network availability rather than on actual usage. DTL's losses from transmission on its own network were low, at 1.28 per cent of the total power transmitted, in 2010-11 (refers to financial year, April 1 to March 31). The availability of the company's transmission network was high at 98.58 per cent in 2010-11; this exceeds the performance benchmark of 98 per cent set by the regulator for full recovery of fixed costs.

DTL has high gearing and moderate debt protection metrics. Although DTL's gearing had improved significantly to 2.28 times as on March 31, 2011 from 17.93 times as on March 31, 2008, it remains high. DTL's interest coverage ratio and the ratio of net cash accruals to total debt had also improved to 5.01 times and 0.16 times respectively as on March 31, 2011 from 2.65 times and 0.16 times respectively as on March 31, 2008. DTL's financial risk profile is expected to improve over the medium term in case of realisation of dues from the discoms, as approved by the appellate tribunal. However, delay in recovery of arrears, coupled with challenges faced by DTL in debtor recovery from the discoms, BSES Rajdhani Power Ltd (BRPL) and BSES Yamuna Power Ltd (BYPL), will continue to constrain DTL's financial risk profile over the medium term. DTL has planned a debt-funded capex programme of Rs.20 billion for 2012-13 and 2014-15. The capex schemes are in the process of being approved by the Government of National Capital Territory of Delhi (GNCTD) and DERC. A large part of the capex is being funded by debt, which could partially offset the impact of the improvement in DTL's capital structure.

Outlook: Stable
CRISIL believes that DTL will maintain its dominant position in intra-state transmission of power in Delhi on the back of a favourable regulatory framework and high operational efficiency. The outlook may be revised to 'Positive' if there is a significant improvement in DTL's financial risk profile, driven most likely by realisation of arrears from discoms. Conversely, the outlook may be revised to 'Negative' if DTL's financial risk profile gets more adversely affected than expected, caused most likely by more-than-expected delay in receipt of arrears from discoms resulting in increased pressure on the company's liquidity.

About the Company
Established in 2001, DTL is wholly owned by GNCTD. As envisioned in the Delhi Electricity Reform (Transfer Scheme) Rules, 2001, the erstwhile Delhi Vidyut Board was unbundled into one holding company (Delhi Power Company Ltd), two generation companies (IPGCL and PPCL), a transmission company (DTL), and three distribution companies (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 BSES Rajdhani Power Ltd, BSES Yamuna Power Ltd, and North Delhi Power Ltd.

DTL was initially engaged 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 engaged in transmission and has been designated as the state transmission utility in the National Capital Territory of Delhi.

DTL reported a profit after tax (PAT) of Rs.7.53 billion on net sales of Rs.12.18 billion for 2011-12, against a PAT of Rs.1.34 million on net sales of Rs.4.54 billion for 2010-11.

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