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/ 2014-15 / 164 Date: 30th October, 2014

Mr. Rajesh Singaria,
Manager,
IFCI Limited, IFCI Tower,
61, Nehru Place,
New Delhi

Dear Sir,

Please find enclosed herewith Quarterly Report for the period ending June 30, 2014. 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, and
2. Delhi Transco Limited has complied with the provisions of Companies Act, 2013, the Listing Agreement as well as the provisions of the Trust deed. and
3. Delhi Transco Limited has not received any complaint during the period ending 30th June 2014. There are also no pendancies of any complaints.
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/A.M (F)/C.A/14-15/40 Dated: 10.10.2014

Quarterly Report for the period ended 30.06.2014 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-March 2,2014)

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 2nd September 2014.

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: In terms of section 117C of Companies Act 1956 and the SEBI Guidelines, the company is creating Debenture (Bonds) Redemption Reserve amounting to Rs.2000 lakhs (Previous year Rs.2000 lakhs) out of each year's profits being 50% of the amount of Bonds over the period of 5 years i.e., before the commencement of the Redemption of the Bonds. Since during the current financial year company has not earned any profits, no Debenture (Bonds) Redemption Reserve has been created for the current financial year..(As per Note 4 of the audited Balance Sheet 2013-14)

4. **Payment of interest up to the last due date.**
   Interest paid up to the due date i.e 2nd March 2014.

5. **Status of redemption of Debentures on due date, if any**
   Not applicable.

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.

7. **In case of default (Principal and Interest), number of installments defaulted as on June 30,2014 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).**

   Compliance Certificate for period ended 31.03.2014 is attached.(Annexure-A)

   (Note: Accounts of the company are prepared annually and subject to audit on annual basis)

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 in the nature of cash credit/working capital

10. **Repayment Schedule**

    Annexure-B

11. **Credit Rating assigned to the Debentures at present alongwith the certified true copy of the latest Credit Rating Letter in regards to the issue.**

    Annexure-C-Crisil-BBB+/Negative

    Annexure-D-India Rating (Fitch)-A+(Ind)

    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
10/10/14

(Vikas Mangla)
AM(F), Central Accounts

Annexure - 'A'

V.P. BATRA & CO.
Chartered Accountants

To Whomsoever it May Concern

This is to certify that the M/S Delhi Transco Limited has created debenture redemption reserve in terms of requirement of section 117C of Companies Act,1956 and SEBI Guidelines and is regularly contributing to the same and there are no outstanding dues against the debenture holders/debenture trustee in connection with debenture issued (Rs.20,000 Lakhs) by company as on date.

Security available for IFCI as debenture trustee

Position as on 31/03/2014

Outstanding Loans/Bonds

Name of Bank/Institution	Facility (Bonds/Loans)	Amount Outstanding (Rs. In lakhs)
9.5% Bonds	Bonds (Secured by Pari Passu charge over assets of the company.)	20,000.00
Allahabad Bank	Term Loans (Secured by Pari Passu charge over assets of the company.)	48,753.45
State Bank of India	Term Loans (Secured by Pari Passu charge over assets of the company.)	43,982.31
Government of NCT of Delhi	Unsecured Loans	74,747.73
Delhi Power Company Ltd.	Unsecured Loans	20,000
Allahabad Bank	Vehicle Loans	106.61
Allahabad Bank	Working Capital Loan (Secured against Current Assets of the Company)	7,658.37
State Bank of India	Working Capital Loan (Secured against Current Assets of the Company)	7,500.00
Total		2,22,748.47

V.P. BATRA & CO. 222-223 D.D.A. Office Complex-I Jhandewalan Extn New Delhi 110 055 CHARTERED ACCOUNTANTS

222-223, D.D.A., OFFICE COMPLEX-I, JHANDEWALAN EXTN. NEW DELHI-110055
Ph. : +91 11 23672354, +91 11 23632984 ● E-mail : info@vpbatraco.com ● Website : www.vpbatraco.com

Fixed Assets:

Rupees in Lakhs

Particulars	Net value in the Books	Available to Bond Holders	Available to Others
Assets (220 KV Sector 19 Rohini/400 KV Bawana/400 KV Bamnoli/220 KV Pappankalan/400 KV Mundka/220 KV Tikri Kalan/220 KV HC Mathur Lane/400/220 KV Mandoli) & all other Assets including CWIP	3,01,379.46	20,000.00	2,81,379.45

The value of Net Block together with the value of CWIP (Capital Work in Progress) as on 31/03/2014 (as per the books of accounts) work out to Rs.3,01,379.45Lakhs (Net Assets Rs.2,16,305.88Lakhs & CWIP Rs.85,073.58Lakhs) & the same is available for Debenture Holders & Banks whose total liability as on 31/03/2014 works out to Rs.1,12,842.37 Lakhs (excluding unsecured loans and working capital loan secured against current assets of the company).

Further certified that Delhi Transco Limited has Debenture Redemption Reserve (DRR) created out of its profit to the tune of Rs.8,000.00 Lakhs as on 31/03/2014.

For V.P.BATRA & CO.,
Chartered Accountants,

V.P. BATRA & CO. 222-223 D.D.A. Office Complex-I Jhandewalan Extn. New Delhi 110 055 CHARTERED ACCOUNTANTS

(HEMANT BATRA)
Partner

Date: 10-10-2014
Place: NEW DELHI

Annexure-B

15 year DTL Bonds for Rs. 200 crores on half yearly interest @ 09.5% to be re
equal installments from Six year and onward

Date	Principal	Interest	Redemption	Payment
3/2/2010	2,000,000,000	95,000,000	0	95,000,000
9/2/2010	2,000,000,000	95,000,000	0	95,000,000
3/2/2011	2,000,000,000	95,000,000	0	95,000,000
9/2/2011	2,000,000,000	95,000,000	0	95,000,000
3/2/2012	2,000,000,000	95,000,000	0	95,000,000
9/2/2012	2,000,000,000	95,000,000	0	95,000,000
3/2/2013	2,000,000,000	95,000,000	0	95,000,000
9/2/2013	2,000,000,000	95,000,000	0	95,000,000
3/2/2014	2,000,000,000	95,000,000	0	95,000,000
9/2/2014	2,000,000,000	95,000,000	0	95,000,000
3/2/2015	2,000,000,000	95,000,000	0	95,000,000
9/2/2015	2,000,000,000	95,000,000	0	95,000,000
3/2/2016	2,000,000,000	95,000,000	200,000,000	295,000,000
9/2/2016	1,800,000,000	85,500,000	0	85,500,000
3/2/2017	1,800,000,000	85,500,000	200,000,000	285,500,000
9/2/2017	1,600,000,000	76,000,000	0	76,000,000
3/2/2018	1,600,000,000	76,000,000	200,000,000	276,000,000
9/2/2018	1,400,000,000	66,500,000	0	66,500,000
3/2/2019	1,400,000,000	66,500,000	200,000,000	266,500,000
9/2/2019	1,200,000,000	57,000,000	0	57,000,000
3/2/2020	1,200,000,000	57,000,000	200,000,000	257,000,000
9/2/2020	1,000,000,000	47,500,000	0	47,500,000
3/2/2021	1,000,000,000	47,500,000	200,000,000	247,500,000
9/2/2021	800,000,000	38,000,000	0	38,000,000
3/2/2022	800,000,000	38,000,000	200,000,000	238,000,000
9/2/2022	600,000,000	28,500,000	0	28,500,000
3/2/2023	600,000,000	28,500,000	200,000,000	228,500,000
9/2/2023	400,000,000	19,000,000	0	19,000,000
3/2/2024	400,000,000	19,000,000	200,000,000	219,000,000
9/2/2024	200,000,000	9,500,000	0	9,500,000
3/2/2025	200,000,000	9,500,000	200,000,000	209,500,000
		2,090,000,000		**4,090,000,000**

9-10
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11-12
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Annexure - 'C'

CRISIL RATINGS

Rating Rationale

December 27, 2013
Mumbai

Delhi Transco Limited

Rating downgraded to 'CRISIL BBB+/Negative'

Bonds Aggregating Rs.7 Billion	**CRISIL BBB+/Negative (Downgraded from 'CRISIL A+/Negative')**

CRISIL has downgraded its ratings on the long-term debt instruments (bond issues) of Delhi Transco Ltd (DTL) to **'CRISIL BBB+/Negative'** from **'CRISIL A+/Negative'**.

The rating downgrade is driven by continued pressure on DTL's cash flows owing to persisting delays in collections from its key customers, BSES Rajdhani Power ltd (BRPL) and BSES Yamuna Power ltd (BYPL) coupled with a delay in conversion of debt, raised from Government of National Capital Territory of Delhi (GNCTD) amounting to Rs.5.91 billion, into equity in 2013-14 (refers to financial year, April 1 to March 31).

BRPL and BYPL constitute almost 70 per cent of DTL's revenue mix. Since 2012, both distribution companies (discoms) have been delaying its payments to DTL; this has led to DTL's receivables increasing to Rs.12.6 billion as on October 2013 from Rs.10.26 billion as on March 31, 2013 *(DTL's receivables were at Rs. 3.79 billion as on March 31,2011)*. For the seven months ended October 2013, DTL has collected around 57 per cent of the billing from the two discoms *(Up till March 30, 2013, around 50 per cent of the billed amount has been collected)*. CRISIL believes that if recovery of receivables continues at a similar rate it would further deteriorate DTL's cash flows and hence constitutes the key rating sensitivity factor.

Furthermore, in April 2013, CRISIL had expected conversion of GNCTD loans to equity, to happen in the first quarter of 2013-14 which would have eased DTL's liquidity position. However, the conversion of loans to equity has been delayed and CRISIL believes that due to elections in the GNCTD it could be further delayed by 12-15 months, thereby increasing the repayment pressure on DTL. However, DTL has flexibility in its debt obligations to its parent Delhi power corporation ltd (DPCL) which is a key comforting factor. Further, DTL also has access to working capital lines of Rs. 750 million sanctioned in November 2013 and another line of credit of Rs. 3.5 billion is being processed by banks which will add to its liquidity.

In its tariff order dated July 2013, DERC has allowed DTL to recover arrears from Delhi Vidyut Board amounting to Rs. 5.41 billion in 2013-14. DERC has also allowed payment to pension trust of Rs.4 billion in 2013-14. On the other hand, DERC has trued up expenses for multi-year tariff period 2007-12 which has led to a reduction in annual revenue requirement (ARR) by Rs. 10.35 billion. As a part of this true-up, DERC has disallowed 50 per cent of DTL's debt as on March 31, 2012; this is because capitalization during the multi-year tariff period has been lower than the corresponding increase in debt. CRISIL believes that this has also led to temporary cash flow mismatches for DTL in 2013-14 and approval of DTL's capital expenditure by DERC would be key monitorable over the medium term. Overall DERC has allowed Rs.5 billion of ARR for DTL for 2013-14.

DTL's rating continues to reflect the benefits that DTL derives from its monopoly in the intra-state power transmission business in Delhi, its stable revenue generation, supported by the regulated nature of its business, and its efficient operations. These rating strengths are partially offset by DTL's weak counterparty credit profile, exposure to risks related to its large, capital expenditure (capex) plans and its modest financial risk profile.

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 tariff is determined by Delhi Electricity Regulatory Commission (DERC); the tariff enables DTL to recover its expenses and allows for return on equity based on network availability provided it meets DERC's stipulated operating norms. DTL's efficient operations are marked by low transmission losses of around 1.2 per cent and high availability above the performance benchmark of 98 per cent set by regulator for full recovery of fixed costs.

These rating strengths are partially offset by DTL's exposure to weak counterparty risk profile. DTL's major counterparties, BRPL and BYPL have a weak financial risk profile marked by high regulatory assets (Rs.54 billion in BRPL and Rs.33 billion in BYPL as on March 31,2012[1]) and weak gearing. CRISIL believes that, this has led to weak receivable recovery for DTL over the past two years and debtor realisation would continue to be the key rating sensitivity factor for DTL. Furthermore, DTL's cash flows are also dependent on approval of DTL's capital expenditure plans by DERC. DTL's capital expenditure was around Rs.22 billion between 2010-11 and 2012-13, out which Rs. 9.76 billion was capital work in progress as on March 31, 2013. This capital expenditure needs to be approved by DERC, to enable DTL to recover the expenses by way of tariff and hence it would be a key monitorable. Also, DTL's financial risk profile is modest marked by stretched receivables and weak liquidity position. Hence recovery of receivables and conversion of GNCTD loans to equity would be key rating sensitivity factors over the near term.

Outlook: Negative
CRISIL believes that DTL's financial risk profile could weaken further if there are persistent delays in debtor realisation from discoms. The ratings may be downgraded on further delays in debtor realization leading to stretch in DTL's cash flows or if there is any change in support philosophy of GNCTD or DPCL.

Conversely, the outlook may be revised to 'Stable' if arrears from discoms are cleared sooner than expected, leading to improvement in DTL's liquidity position.

About the Company

DTL, established in 2001, 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 and BSES Yamuna Power Ltd , and North Delhi Power Ltd. 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 state transmission utility in the National Capital Territory of Delhi.

DTL reported a profit after tax (PAT) of Rs.2.63 billion on net sales of Rs.7.96 billion for 2012-13, against a PAT of Rs.7.95 billion on net sales of Rs. 14.33 billion for 2011-12.

[1] *BRPL &BYPL tariff order dated July 2013*

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About CRISIL LIMITED

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Ratings

CRISIL Ratings is India's leading rating agency. We pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we have a leadership position. We have rated over 60,000 entities, by far the largest number in India. We are a full-service rating agency. We rate the entire range of debt instruments: bank loans, certificates of deposit, commercial paper, non-convertible debentures, bank hybrid capital instruments, asset-backed securities, mortgage-backed securities, perpetual bonds, and partial guarantees. CRISIL sets the standards in every aspect of the credit rating business. We have instituted several innovations in India including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We pioneered a globally unique and affordable rating service for Small and Medium Enterprises (SMEs).This has significantly expanded the market for ratings and is improving SMEs' access to affordable finance. We have an active outreach programme with issuers, investors and regulators to maintain a high level of transparency regarding our rating criteria and to disseminate our analytical insights and knowledge.

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December 27, 2013

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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**

India Ratings & Research
A Fitch Group Company

Annexure - 'D'

Corporates

Utilities

Delhi Transco Limited

Full Rating Report

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	Stable

Financial Data

Delhi Transco Limited

Particulars	FY13	FY12
Revenue (INRm)	7,858	14,122
EBITDA (INRm)	4,772	12,780
EBITDA margin (%)	60.7	90.5
Cash (INRm)	2,581	5,075
Debt (INRm)	19,596	20,291
Net leverage (x)	3.6	1.2

Analysts

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Key Rating Drivers

Strong Linkages with GoNCTD: The ratings factor in the strong operational, legal and strategic linkages between the government of National Capital Territory Delhi (GoNCTD) and Delhi Transco Limited (DTL). GoNCTD's shareholding in DTL stands at 93.4% and it has supported DTL by way of equity infusion, conversion of loans to equity and debt support for new capex. The ratings also factor the flexibility enjoyed by DTL for interest and principal repayments on GoNCTD's loans. The ratings also reflect DTL's position as a key vehicle in furthering GoNCTD's social and infrastructural obligations in Delhi's power sector.

Regulated Business Operations: The ratings benefit from DTL's monopoly status in its license area and high operating efficiencies. The ratings also factor in the low levels of business risk as the company operates under a regulated tariff regime. The stable and transparent regulatory process determines tariffs on a multi-year basis and assures recovery of fixed costs with 14% return on equity.

Revenue Claw-back during FY14 Higher than Expected: During DTL's true-up petition the Delhi Electricity Regulatory Commission (DERC) directed a claw back of INR10.35bn including carrying cost till FY14. This is higher than DTL's expectation of INR4.66bn and Ind-Ra's expectation of INR7.3bn. The claw-back has been on account of lower-than-allowed capital expenditure incurred by DTL over FY08-FY12. DERC had determined the annual revenue requirement of the company based on a cumulative capitalisation of INR30bn over FY08-FY12, however in the true-up order, the capitalisation leading to this claw-back is INR13bn. The entire claw-back has been adjusted in the FY14 annual revenue requirement (ARR).

DVB Arrears Allowed: Delhi Vidyut Board's (DVB) arrears totalling INR16.87bn as of FYE14 including the carrying cost have been allowed to DTL by DERC. During FY14, DERC has allowed recovery of only INR5.41bn. However, it has not spelt out a clear timeframe for recovery of the balance amount. This is most likely to be allowed over a period of three to five years.

Counterparty Profile: DTL derives a bulk of its revenues (65%-70%) from distribution companies (discoms) such as BSES Rajdhani Power Limited and BSES Yamuna Power Limited and given the weak financial profile of these entities, the recovery of dues has remained a challenge. DTL however, was able to contain its debtors at INR10.3bn as of FYE14 (FYE13: INR10.2bn) through receipt of payments by way of subsidy diversion and unscheduled interchange diversion on the behest of GoNCTD.

FY14 Leverage Increases: On account of the entire claw-back totalling INR10.35bn while allowance of only INR5.41bn for DVB arrears, the ARR for DTL was INR5bn, however INR4bn had to be passed on to the pension trust leading to a sharp drop in EBITDTA to INR66m in FY14. Along with the additional debt taken for meeting its capital expenditure programme and lower recovery from counterparties, the net leverage is expected to be high in FY14. However, in FY15, leverage is likely to decline to comfortable levels given that no claw-back is expected and INR7.35bn ARR has been finalised by the DERC for FY15.

Efforts to Resolve Issues: 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. In addition, DERC is finalising a roadmap for liquidating the past regulatory assets of the discoms in Delhi which could ease the cash flow situation for these entities and lead to recovery of DTL's outstanding dues.

Rating Sensitivities

Negative: Negative rating guidelines include non-recovery of past dues, a build-up in receivables from the discoms in Delhi or a weakening of linkages with GoNCTD.

Debt Structure

DTL's debt was INR203bn with cash balances of INR22.2bn as of FYE14 (FYE13: INR19.6bn). Ind-Ra expects the overall debt to stay largely at the same levels despite the planned annual capex of INR4bn-INR4.5bn driven by the recovery of past debtors and improvement in EBITDA in FY15.

Applicable Criteria

Corporate Rating Methodology (September 2012)

Key Contents

Key Rating Issues

Cost-plus 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 RoE (14% post tax). This ensures high stability and predictability of cash flows. Forex risk can also be a 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.

Revenue Claw-back Higher Than Expected

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. Over FY08-FY12, DERC considered a fixed asset capitalisation of INR30bn. However during the true-up the commission has considered a capitalisation of only INR12.85bn.

Figure 1
Capex Approved in Earlier MYT and Approved During True-Up

Particulars (INRbn)	FY08	FY09	FY10	FY11	FY12	Total
Capex approved by commission earlier	1.90	1.85	12.00	7.00	7.23	29.98
Capex in True- up Order	0.47	1.04	0.65	5.85	4.84	12.85
% achieved	25	56	5	84	67	43

Source: Ind-Ra, DTL

Hence, the company's billings, based on the approved ARR, were higher than it is entitled to under the regulatory framework. As per DTL's petition, excess billing of INR4.66bn had been done which the regulator was to claw back from DTL post finalisation of true-up. However, the regulator has clawed back INR7.13bn over the period FY08-FY12 excluding the carrying cost. Including the carrying cost the cumulative claw-back stood at INR8.38bn till FYE12 and INR10.35bn as of FYE14. The claw-back amount is higher than Ind-Ra and DTL's expectation.

Figure 2
ARR Approved in Earlier MYT and Approved During True-Up

Particulars (INRbn)	FY08	FY09	FY10	FY11	FY12	Total
ARR approved by commission earlier	2.06	2.34	3.55	5.41	7.09	20.45
ARR in True- up Order	1.86	1.96	2.31	3.11	4.08	13.32
Difference	0.20	0.38	1.24	2.30	3.01	7.13

Source: Ind-Ra, DTL

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 INR2.1bn for FY03 and FY04, INR2.1bn for FY05 and FY06 and INR2.18bn for FY07, a cumulative of INR6.37bn.

DTL filed an appeal before 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 31st July 2013, DERC has finally recognised the DVB arrears along with carrying cost of INR13.66bn as of FYE12 and INR16.87bn as of FYE14.

Cash Flow Mismatch in FY14

DTL witnessed a cash-flow mismatch in FY14 as DERC allowed the full claw-back on account of the true up during FY14 while the recovery of DVB arrears has been made gradual. This also led to net revenues of mere INR1bn during FY14 and significant EBITDA erosion. The EBITDA erosion would occur on account of the low revenue and the fact that DTL incurs operating expenses of nearly INR800m-INR1bn annually. DTL will have to rely on additional debt to meet its interest obligations, and tide over the cash flow mismatch on account of this allowance timing mismatch by the commission in FY14. However, the situation is expected to return to normalcy in FY15.

Purely on account of the claw back of excess revenue (INR10.35bn) and allowance of DVB arrears (INR16.87bn) DTL should have had additional revenues of INR6.52bn (INR16.87bn-INR10.35bn). However, the commission has not allowed the same timeframe for both the claw-back and the DVB arrear allowance.

DVB arrears have been allowed to be recovered over a longer time-frame at the discretion of the commission so as not to burden the consumers during a single year. On the other hand, the revenue claw-back has been allowed in a single year, i.e. the entire INR10.35bn has been made recoverable from DTL in FY14 itself while only INR5.41bn towards DVB arrears has been allowed to be recovered by DTL from beneficiaries during FY14. This has resulted in negative adjustment of INR4.94bn in FY14.

In addition to this DTL was allowed INR4bn towards payment to pension trust. This is just an accounting entry as the same will have to be passed on to the pension trust. So the tariff structure for FY14 was as follows

Figure 3
ARR Break-Down for FY14

Particulars	Amount (INRbn)
ARR for FY14	+5.93
Less: Revenue claw-back in FY14	-10.35
Add: DVB arrears allowed by commission to be recovered	+5.41
Add: payment to pension trust	+4.00
Total ARR for FY14	+5.00
Payments passed on to pension trust	-4.00
Net ARR	1.00

Source: Ind-Ra, DTL

Weak Counterparty Profile

DTL counterparties include discoms operating in Delhi, including - New Delhi Municipal Corporation (NDMC), BSES Rajdhani Private Limited (BRPL), BSES Yammuna Private Limited (BYPL), Military Engineer Services (MES) and Tata Power Delhi Distribution Limited (TPDDL). DTL derives nearly 65%-70% 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 4
Revenues and Debtors

Particulars (INRm)	FY09	FY10	FY11	FY12	FY13	FY14
Debtors	2,160	2,989	3,787	9,411	10,260	10,313
Revenues	2,554	2,501	4,542	14,122	7,856	5,100

Source: Ind-Ra, DTL

Earlier DTL used to get part of the subsidy payments that GoNCTD paid BRPL and BYPL. However, beginning April 2014, since the subsidy in Delhi has been done away with, the subsidy payments being received by DTL would no longer be available. DTL till subsidy re-instatement is 100% dependent on the two discoms for receipt of payment.

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 5
Debtor Break-Down Discom Wise

Discom (INRm)	FY12	FY13	FY14
BRPL	4,923	5,447	5,601
BYPL	3,126	3,636	3,296
NDPL	1,141	910	1,168
MES	35	5	3
NDMC	261	210	244
Total	**9,411**	**10,209**	**10,313**

Source: Ind-Ra, DTL

Figure 6
% Debtor Break-Down Discom Wise

Discom (INRm)	FY12	FY13	FY14
BRPL	52%	53%	54%
BYPL	33%	36%	32%
NDPL	12%	9%	11%
MES	0%	0%	0%
NDMC	3%	2%	2%
Total	**100%**	**100%**	**100%**

Source: Ind-Ra, DTL

Efforts to Resolve the Counterparty Payment Issue

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. In addition, DERC is finalising a roadmap for liquidating the past regulatory assets of the discoms in Delhi which could ease the cash flow situation for these entities and lead to recovery of DTL's outstanding dues. Additionally, the tariffs for Delhi discoms have been increased which is likely to ease the cash flow problems faced by the discoms.

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 GNCTD 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 7
Support from GoNCTD

Particulars (INRm)	FY09	FY10	FY11	FY12	FY13	FY14
Conversion of loan to equity by GNCTD			2.39			
Outstanding loans from GNCTD	4.50	4.41	0.44	6.04	5.79	7.47
Outstanding loans from DPCL					1.5	2.0

Source: Ind-Ra, DTL

Leverage Increases

DTL's leverage is likely to be elevated in FY14 on account of the significant decline in EBITDA in FY14 due to the entire claw-back of INR10.35bn while allowance of only INR5.41bn for DVB arrears. Additionally, the debt required for the capital expenditure and the lower recovery from counterparties lead to additional borrowing impacting the leverage further. Ind-Ra expects the leverage to decline in FY15 on account of the expected improvement in EBITDA driven by the ARR of INR7.35bn finalised for FY15 by DERC.

Figure 8
Leverage

Particulars	FY10	FY11	FY12	FY13
Debt (INRbn)	10.8	13.3	20.3	19.6
Net leverage (x)	4.12	3.51	1.19	3.57

Source: DTL, Ind-Ra

Figure 9
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
Cash-flows to improve in FY15	Ind-Ra expects DTL's cash flows to return to normalcy in FY15. FY14 cash flows were impacted due to the full impact of claw back while only part allowance of the DVB arrears.	Likelihood: High Timescale: Continuing Rating impact: Neutral
Weak counterparty profile	The financial profile of two key Delhi discoms BRPL and BYPL continue to remains 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. An audit has been ordered for the Delhi discoms, the Supreme Court has directed the discoms to continue making the current month bill payments and the tariffs for the discoms have been increased which provide some comfort on the possibility of improvement in the financial health of the discoms.	Likelihood: Moderate Timescale: FY15 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, NHPC

Figure 10
Sector Performance and Expectations

	FY11	FY12	FY13	Expectation
Revenue (INRm)	4,542	14,122	7,858	The net revenue declined to INR1bn in FY14 on account of the claw-back. However revenue is expected to improve to INR7.35bn in FY15 in line with the ARR finalised by DERC.
EBITDA (INRm)	3,594	12,780	4,772	
EBITDA (%)	79.1	90.5	60.7	

Source: Ind-Ra, DTL

Figure 11
Cash Flows

Cash flow (INRm)	FY10	FY11	FY12	FY13
Cash flow from operations	1,092	1,764	4,541	1,037
Capital expenditure	-4,848	-8,401	-7,527	-2,844
Common dividend	-106	-127	0	0
Free cash flow	-3,812	-6,754	-2,986	-1,807

Source: Ind-Ra, DTL

DTL's free cash flow remained negative over FY10-FY13 as it incurred substantial capex for network expansion, up-gradation and strengthening. The cash flow from operations is expected to decline significantly in FY14 driven the claw-back of INR0.35bn.

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 12
Debt Structure

Particulars (INRm)	FY10	FY11	FY12	FY13
Power bonds	2,000	2,000	2,000	2,000
Bank loans	4,300	10,505	11,990	10,070
Others	318	292	263	235
From state government	4,144	443	6,039	7,290
Overdraft		24		
Total debt	**10,762**	**13,263**	**20,291**	**19,595**

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 13

Peer Group Analysis

	Pragati Power Corporation Limited (IND A-/Stable)	Indraprastha Power Generation Company Limited (IND A-/Stable)	West Bengal State Electricity Transmission Company Limited (IND A/Stable)	Delhi Transco (IND A+/Stable)
Financial year	**FY13**	**FY13**	**FY12**	**FY13**
Revenue (INRm)	18,752	9,831	7,241	7,858
EBITDA (INRm)	6,119	2,429	4,922	4,772
EBITDA margins (%)	32.6	24.7	68.0	60.7
Debt (INRm)	27,182	9,277	25,683	19,596
Net adjusted financial leverage (x)	4.44	3.8	4.77	3.57
Gross interest coverage (x)	3.69	3.29	2.73	4.37

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 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).

Indraprastha Power Generation Company Limited

IPGCL operates both its plants (Rajghat Power House (RPH), Gas Turbine Power Station (GTPS)) 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 of Delhi Electricity Regulatory Commission (DERC).

West Bengal State Electricity Transmission Company Limited

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 30 July 2014

Figure 14
Long-Term Loans/Facilities

Loan	Rating	Outstanding/Sanction (INRm)
Allahabad Bank	IND A+	637
State Bank of India	IND A+	4,363
Total long term loans		**5,000**

Source: Ind-Ra, DTL

Figure 15
Bonds

Bonds	Rating	Outstanding/Sanction (INRm)
Bond programme	IND A+	2,000
Proposed bond programme	IND A+	5,000
Total bonds programme		**7,000**

Source: Ind-Ra, DTL

Figure 16
Working Capital Facilities

Non fund-based limits	Rating	Sanction (INRm)
Union Bank of India	IND A+/IND A1	1,000
Total non-fund-based limits	**IND A+/IND A1**	**1,000**

Source: Ind-Ra, DTL

Figure 17
Working Capital Facilities

Fund-based limits	Rating	Sanction (INRm)
State Bank of India	IND A+/IND A1	750
Allahabad Bank	IND A+/IND A1	250
Total fund-based limits	**IND A+/IND A1**	**1,000.0**

Source: Ind-Ra, DTL

Historical Financial Information

Figure 18

Delhi Transco Limited

(INRm)	2010	2011	2012	2013
Income statement				
Gross revenue (+)	3,363	4,542	14,122	7,858
Revenue growth (%)	3.0	35.0	211.0	-44.4
Operating EBITDA	2,201	3,594	12,780	4,772
Operating EBITDA margin (%)	65.4	79.1	90.5	60.7
Operating EBITDAR	2,201	3,594	12,780	4,772
Operating EBITDAR margin (%)	65.4	79.1	90.5	60.7
Operating EBIT	1,682	2,901	11,818	3,688
Operating EBIT margin (%)	50.0	63.9	83.7	46.9
Gross interest expense	524	587	537	1,091
Pretax income	931	1,676	10,053	3,272
Net income	773	1,342	7,955	2,614
Summary balance sheet				
Cash & equivalents	1,695	634	5,075	2,581
Working capital	-1,296	-1,522	9,200	10,180
Accounts receivable	2,987	3,788	9,411	10,260
Inventory	115	169	218	163
Accounts payable	4,398	5,479	430	243
Total debt with equity credit	10,762	13,263	20,291	19,596
Short-term debt	0	24	0	1,500
Long-term senior secured debt	6,332	12,533	14,010	12,085
Long-term senior unsecured debt	0	0	0	0
Long-term subordinated debt	0	0	0	0
Other debt	4,430	706	6,281	6,011
Equity credit	0	0	0	0
Total adjusted debt with equity credit	10,762	13,263	20,291	19,596
Summary cash flow statement				
Operating EBITDA	2,201	3,594	12,780	4,772
Cash interest	-524	-587	-537	-1,091
Cash tax	-38	-324	-2,098	-906
Non-controlling interest	0	4	3	119
Other items before FFO	-220	-655	66	281
Funds flow from operations	1,428	2,059	10,313	3,290
Change in working capital	-336	-295	-5,772	-2,254
Cash flow from operations	1,092	1,764	4,541	1,037
Total non-operating/non-recurring cash flow	50	10	0	0
Capital expenditures	-4,848	-8,401	-7,527	-2,844
Common dividends	-106	-127	0	0
Free cash flow	-3,812	-6,754	-2,986	-1,807
Free cash flow margin (%)	-113	-149	-21	-23
Net acquisitions & divestitures	0	2	-44	9
Other cash flow Items	0	0	0	0
Cash flow from investing	-4,848	-8,399	-7,571	-2,834
Net debt proceeds	0	0	0	-695
Net equity proceeds	0	3,190	0	0
Cash flow from financing	-2	3,190	442	-696
Total change in cash	-3,814	-3,562	-2,588	-2,493
Coverage ratios (x)				
FFO interest coverage	3.7	4.5	20.0	3.7
FFO fixed charge coverage	3.7	4.5	20.0	3.7
Operating EBITDAR/gross interest expense + rents	-5.1	-8.2	9.8	1.8
Operating EBITDAR/net interest expense + rents	4.3	6.4	29.2	6.5
Operating EBITDA/gross interest expense	4.2	6.1	23.8	4.4
Leverage ratios (x)				
Total adjusted debt/operating EBITDAR	4.9	3.7	1.6	4.1
Total adjusted net debt/operating EBITDAR	4.1	3.5	1.2	3.6
Total debt with equity credit/operating EBITDA	4.9	3.7	1.6	4.1
FFO adjusted leverage	5.5	5.1	1.9	4.9
FFO adjusted net leverage	4.7	4.8	1.4	4.2

Source: Ind-Ra, DTL

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