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.4(7)/DTL / 402 / CS / 2014-15 / 24 Date: 13th May, 2014

Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001

Sub: **Compliance under clause 27(b) of Listing Agreement**

Sir,

We are enclosing herewith copy of Unaudited half-yearly financial results of the Company for the period ended 31.03.2014 as approved by the Board of Directors in its meeting held on 12th May, 2014 along with limited review report by M/s P. K. Gaur & Associates, Chartered Accountants.

Further, we are also submitting the following information with countersignature of Debenture Trustee for your record:-

1. Credit Rating – (i) BBB+/ Negative by CRISIL (Annx.-E)
   (ii) IND A+ by India Ratings & Research (Annx.- F)
2. Asset Cover Available – Finalisation of Accounts is under process.
3. Debt Equity Ratio – Finalisation of Accounts is under process.
4. Previous due date for the payment of Interest/principal and whether the same has been paid or not – 2nd March, 2014 and interest has been duly paid on time.
5. Next due date for the payment of Interest/ principal –.2nd September, 2014. The repayment of the Principal shall start from 3/2/2016 as per the terms of repayment.

Thanking you,

Yours faithfully,
For Delhi Transco Limited

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

Encl: As above

P. K. MALLIK
DELHI TRANSCO LTD.
Shakti Sadan, Kotla Road
New Delhi-110002

IFCI Ltd. IFCI Tower 61 Nehru Place, New Delhi-19

Annexure – C

P.K. Gaur & Associates
Chartered Accountants

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 31st March, 2014. 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 these financial statements 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 standards 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 P.K. GAUR & ASSOCIATES
Chartered Accountants
Firm Reg. No. 005311N

P.K. GAUR & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

CA Shalin Poddar
(Partner)
M.No. 515616

Date: 12-05-2014
Place: New Delhi

P. K. [illegible]
[illegible]
DELHI TRANSCO LTD.
Shakti Sadan, Kotla Road
New Delhi-110002

DELHI TRANSCO LIMITED
(An undertaking of Govt. of NCT of Delhi)

Half Yearly Financial Results for period ending on 31 March 2014

Rs. In Lakhs

S.No.	PARTICULARS	6 months ended 31.03.2014	6 months ended 31.03.2013	Year to Date Figures for current period ended 31.3.2014	Previous Accounting year ended 31.3.2013
		(Limited Review)	(Limited Review)	(Limited Review)	(Audited)
1	Income				
(a)	Net Sales/Income from Operations (Note 2 & 2A)	26,581.69	39,137.17	53,201.10	78,575.89
(b)	Other Operating Income	1.61	330.50	1.83	595.26
2	Expenditure				
(a)	Repair & Maintainance	1,223.73	320.86	1,863.49	1,306.84
(b)	Stores &Spares consumed	37.49	433.86	389.49	1,094.99
(c)	Expenditure on Revised Tariff	(1,063.24)	99.78	-	2,331.93
(d)	Employee Cost *(Note 3)*	4,129.19	2,771.08	8,394.76	8,091.02
(e)	Depreciation *(Note 6)*	8,313.99	6,594.33	14,984.24	10,838.03
(f)	Other Expenditure *(Note 3)*	1,183.25	564.58	1,825.96	2,629.06
	TOTAL	13824.41	10,784.49	27,457.94	26291.87
3	Profit from operations before other income, interest & exceptional items (1-2)	12,758.89	28,683.18	25,744.99	52,879.28
4	Other Income	613.70	1,709.24	1,149.51	5,866.54
5	Profit before Interest & Exceptional Items(3+4)	13,372.59	30,392.42	26,894.50	58,745.82
6	Interest (Paid on Loans) *(Note 3)*	6,020.20	4,263.62	10,144.20	10,908.77
7	Exceptional Items *(Note 2 & 2B)*	32,556.23	7,978.08	40,070.00	16,000.00
8	Profit/Loss from ordinary activities before tax (5-6-7)	(25,203.84)	18,150.72	(23,319.70)	31,837.05
9	Tax expenses	-	3,631.59	-	6,584.87
10	Net Profit/Loss from ordinary activities after tax (8-9)	(25,203.84)	14,519.13	(23,319.70)	25,252.18
11	Extraordinary Items	0.00	0.00	0.00	882.30
12	Net Profit/Loss for the period	(25,203.84)	14,519.13	(23,319.70)	26,134.48
13	Paid up equity share capital(Face value of share shall be indicated)Face value of Rs.10 each	3,95,100.00	3,95,100.00	395100.00	3,95,100.00
14	Paid up Debt capital	2,22,390.68	1,91,635.28	222390.68	1,93,752.99
15	Reserves excluding revaluation reserves at the end of Financial Year *(Note 7 (b))*	(2,62,092.26)	(2,37,221.90)	(2,62,092.26)	(2,38,279.73)
16	Debenture Redemption Reserve at the end of Financial Year (Note 7 (a))	10,000.00	8,000.00	10000.00	8,000.00
17	Earning Per Share	(0.64)	0.37	(0.59)	0.66
18	Debt Equity Ratio	0.56	0.49	0.56	0.49
19	Debt Service Coverage Ratio	(0.49)	0.99	0.06	1.21
20	Interest Service Coverage Ratio	(1.05)	2.89	0.09	2.61

Notes to Accounts appended form the part of half yearly financial results

DSCR: Profit before interest & tax + Non cash expenditure (Depreciation)-Extraordinary Item/Interest liability before capitalization+Principal repayment (excluding loan swap)

ISCR: Profit before interest & tax + Non cash expenditure (Depreciation)-Extraordinary Item/Interest liability before capitalization

Director (Finance)

Date: 12th May 2014
Place: New Delhi

Notes forming part of half yearly financial results for the period ending 31st March 2014.

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) for the financial year 2013-14 has been recognized on the basis of tariff order dated 31.07.2013 passed by DERC (Hon'ble Commission) for the financial year 2013-14 including the true up for the control period 2007-12. As per this tariff order Hon'ble Commission has determined trued up surplus of tariff with the company for the aforesaid control period for a sum of Rs.1035.42 crores and has directed the company to pay/set off the said surplus during the financial year 2013-14 in the manner as specified in the aforesaid order. Though the company has challenged the said order before the Hon'ble Appellate Tribunal For Electricity but following the aforesaid recognised accounting policy, the company has effected the reversal of the income by a sum of Rs.1035.42 Crores in the accounts for the current financial year. The said reversal of surplus has been effected by setting off/adjustment of the amount of Rs.593.22 crores allowed as tariff for the financial year 2013-14, the amount of Rs.400 crores and Rs.0.70 crore payable to DVB Pension Trust and to Public Grievance Cell of GNCTD respectively, and the remaining balance amount of Rs. 41.50 crores out of the amount of DVB arrears recognised in favour of the company as explained in sub para 2A below. Thus the company has recognised on net basis a sum of Rs.500 crores as its tariff income for the financial year 2013-14 .

2A In the tariff order for transmission dated 31.07.2013 passed by hon'ble Commission as mentioned in the above para, the amount of Rs.500 crores as net tariff to the company has been allowed out of the past DVB arrears claimed by the company in terms of the tariff regulations and as admitted by hon'ble Appellate Tribunal for Electricity out of the total amount of Rs.1687.52 crores recognised as due to the company in the aforesaid tariff order. Thus a balance amount of Rs.1146.02 crores has been retained for allowing in future transmission tariff of the company.

2B As per the tariff order for true up issued by DERC dated 31.07.2013, the company has paid a sum of Rs.301 crores to Pension Trust and remaining amount shall be paid to Pension Trust as well as Public Grievance Cell as per the order.

3 Borrowing costs attributable to qualifying assets are capitalized to such assets using the capitalization rate based on weighted average interest cost. The Employees cost and Administrative & General expenses of Planning department are allocated fully to capital works in progress (CWIP) on pro rata basis based on accretion in CWIP. The Employee cost and Administrative & General expenses of Common Wealth Projects (ICB Turnkey Projects) are fully allocated to CWIP's pertaining to the ICB Turnkey Projects.

4 The company has received demand for property tax from North Delhi Municipal Corporation and East Delhi Municipal Corporation. However, based on the statutory/legal position the company has disputed the same and challenged the assessment order of the assessor but paid amount of Rs.30 lacs to North Delhi Municipal Corporation and Rs.8 crores to East Delhi Municipal Corporation under protest.

5 Provision for Deferred Tax Assets / Liabilities as required by the Accounting Standard 22 (AS 22) issued by The Institute of Chartered Accountants of India has not been made due to the uncertainty of the recovery of the same in view of huge unabsorbed accumulated losses of the company.

6 Depreciation on Fixed Assets is provided on straight line method in terms of rates specified in the Companies Act except that computers acquired are depreciated at the rate of 33.40% per annum. Further, as per the policy of the Company, the new vehicles purchased for the officers of the company shall be transferred to the said officers after 5 years at NIL value and therefore the depreciation on those vehicles is charged @ 20% instead of @ 9.50% as general rate applied to other vehicles (after charging 10% of the cost from the employee).

7 (a).The amount of Reserves namely Debenture Redemption Reserve and Insurance Reserve have been shown at their respective closing figures as on 31st March' 2014.
(b).The amount of Reserves & Surplus include the amount of accumulated losses brought forward upto 31st March 2014.

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

9 As per transfer scheme of unbundling of Delhi Vidyut Board (DVB), a Trust designated as Delhi Vidyut Board Employee Terminal Benefit Fund 2002 was created by GNCTD for the payment of post retiremental benefits to the employees of earstwhile DVB. The said trust was funded by GNCTD initially at the time of unbundling and is required to be also funded through the contributions by the successor entities including DTL. As per the provisions of AS 15, the defined benefit obligation (post retirement benefits) existing as on balance sheet date 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 on the date of balance sheet. However, pending the actuarial valuation of the obligations of the Pension Trust towards retirement benefits of the employees as on date, the shortfall, if any, of the contribution payable by the Company to the Pension Trust as on 31st March, 2014 could not be ascertained and accounted for accordingly.

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

The results for the half year ending 31st March,2014 have been subjected to limited review by the Chartered Accountants appointed by the company and were taken on record by the Board of Directors at its meeting held on 12th May 2014.

Date:12th May 2014
Place: Delhi

DELHI TRANSCO LTD.
Shakti Sadan, Kotla Road
New Delhi

Annexure - 9E

CRISIL
A STANDARD & POOR'S COMPANY

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Our Offerings
Ratings Lists
Rating Rationales
Rating / Grading Scale
Rating Process
Ratings Publications
Credit Rating FAQs
Find a Rating
Ratings Investor Grievances

>> >> Company Factsheet

Company Factsheet

Delhi Transco Limited

Rating Outstanding as on 22-Apr-2014
Industry : Electric Utilities

Long Term	CRISIL BBB+	Negative	view

27-DEC-2013
Delhi Transco Limited. Rating downgraded to 'CRISIL BBB+/Negative'

Rating Criteria for Power Distribution Utilities
Rating Criteria for Power Generation Utilities
Rating Criteria for State Electricity Boards

R. K. MALIK
DELHI TRANSCO LTD
Shakti Sadan, Kotla Road
New Delhi-110002

6

Rating Rationale

CRISIL RATINGS

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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Ratings rating criteria are available without charge to the public on the CRISIL web site, www.crisil.com. For the latest rating information on any instrument of any company rated by CRISIL, please contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (+91 22) 3342 3000.

December 27, 2013

http://www.crisil.com

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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

D. K. [illegible]
DELHI TRANSCO LTD.
Shakti Sadan, Kotla Road
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Annexure - 8F

India Ratings & Research
A Fitch Group Company

Corporates

Electric Corporate

Delhi Transco Limited

Full Rating Report

Ratings

Long-Term Issuer Rating	IND A+
Long-Term Loans	IND A+
Non-Fund-Based Bank Facilities	IND A+/IND A1

Outlook

Long-Term Issuer Rating	Stable

Financial Data

Delhi Transco Limited

Particulars	Mar 12	Mar 11
Revenue (INRm)	14,122	4,542
Operating EBITDAR (INRm)	12,760	3,594
Net leverage (x)	1.2	3.5
Total gross debt (INRbn)	20.3	13.3

Related Research

2013 Outlook: Indian Power (January 2013)
2013 Mid-Year Outlook: Power (July 2013)

Analysts

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Key Rating Drivers

Linkages with GoNCTD: India Ratings & Research (Ind-Ra) affirmed Delhi Transco Limited's (DTL) ratings on 23 July 2013. DTL's ratings continue to reflect its strong operational, financial and strategic linkages with the government of National Capital Territory of Delhi (GoNCTD). The ratings reflect DTL's position as a key vehicle in furthering GoNCTD's social and infrastructural obligations in Delhi's power sector.

Financial Support to Continue: To tide over the receivables situation and ease the liquidity situation, GoNCTD has re-directed part of the subsidy payable to BSES Rajdhani Power Limited (BRPL) and BSES Yamuna Power Limited (BYPL) to DTL. Ind-Ra expects GoNCTD to provide sufficient interim financial support to DTL till regular cash inflows start from the discoms delaying payments. In the past, GoNCTD has infused equity, converted loan to equity and provided debt to support DTL.

Regulated Operations: DTL operates as a regulated state transmission utility, under the multi-year tariff (MYT) framework of Delhi Electricity Regulatory Commission (DERC). The stable and transparent regulatory process assures recovery of fixed costs with 14% return on equity.

Non-payment/Delays in Realisation of Dues: DTL faced non-payment or delays in receipt of payment from two discoms, (BRPL) and (BYPL), accounting for 65%-70% of its revenue. Due to the weak financial profile of these discoms, DTL's receivables increased to INR10.2bn at FYE13 from INR3.8bn at FYE11.

Revenue Claw-back by Regulator Likely: DERC had approved the annual revenue requirement (ARR) of DTL based on a projected capex of INR30bn over FY08-FY12. However, DTL incurred lower capex at INR15bn over the period and hence the company's billings based on approved ARR are higher than it is entitled to under the regulatory framework. DTL's true-up petition indicates excess billing of INR4.66bn which the regulator will claw back from DTL post finalisation of true-up. Hence, the net debtors would stand at INR5.54bn.

Past DVB Arrears Recovery Possible: DTL expects Delhi Vidyut Board (DVB) arrears, totalling INR10.4bn as of FYE12 including carrying costs, to be allowed to it by DERC as the Apellate Tribunal of Electricity (ATE) has ruled in favour of DTL. The allowance of such amount by the commission would be positive for DTL.

Leverage to Remain High: Non-payment or delays in payment by the two discoms can lead to higher reliance on short-term funds from banks or GoNCTD which can keep the leverage high. The leverage is also likely to remain high on account of DTL's projected capex of of INR12bn (INR4bn annually) over FY13-FY15 to be funded in a D:E ratio of 70:30.

Rating Sensitivities

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

Liquidity and Debt Structure

DTL's debt, as of FYE12, was INR20.3bn, with INR6bn from GoNCTD for approved plan scheme and the remaining from banks. As of FYE12, DTL's cash and cash equivalents were INR5.1bn. DTL has a non-fund based facility of INR1bn.

Company Analysis

DTL is the successor of the erstwhile DVB. The company came into existence on 1 July 2002, as a state transmission utility of the national capital. DTL provides its network to the five discoms operating in Delhi - BRPL, BYPL, Tata Power Delhi Distribution Company (TPDDL), New Delhi Municipal Corporation (NDMC) and Military Engineer Services (MES). Since 2007 DTL has been operating as a pure transmission company, no longer responsible for the bulk purchase of electricity for onward supply to discoms in Delhi.

Business Analysis

Non-payment of Dues by Discoms

Delays or non-payment of dues from BRPL and BYPL, because of their weak financial profile, stressed DTL's cash flows during FY13. Total receivables increased to INR10.2bn from INR3.8bn in FYE11. As of FYE12, 85% of DTL's debtors were represented by BRPL and BYPL. However, GoNCTD provided relief to DTL by re-directing part of the subsidy payable to BRPL and BYPL to DTL. Ind-Ra expects GoNCTD to continue providing interim financial support in the form of debt and equity till the financial profiles of the discoms improve. .

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 1
Revenues and Debtors

Particulars (INRm)	FY10	FY11	FY12	FY13(P)
Revenues	3,363	4,542	14,122	7,840
Debtors	2,987	3,788	9,411	10,209

Source: DTL, Ind-Ra

DTL's FY12 revenue was high on account of INR1.5bn allowed by DERC on provisional basis towards pension trust funding. The same amount is payable to pension trust after recovering from discoms. The FY12 revenues also include INR3.29bn on account of past arrears recognised in FY12 post receipt of tariff order and INR2bn as income tax liability paid by the company but recoverable from discoms in addition to wheeling charges.

Figure 2
Break-down of Debtors

Particulars (INRm)	FY12	FY13(P)	% FY12	% FY13(P)
Debtors	9,411	10,209	100	100
BRPL	4,923	5,447	52	53
BYPL	3,126	3,636	33	36
TPDDL	1,141	911	12	9
NDMC	261	210	3	2
MES	35	5	0	0

Source: DTL, Ind-Ra

Claw-Back of Revenues

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 DTL could achieve capitalisation of only INR15bn. Hence, the company's billings, based on the approved ARR, are higher than it is entitled to under the regulatory framework. As per DTL's petition, excess billing of INR4.66bn has been done which the regulator will claw back from DTL post finalisation of true-up.

Applicable Criteria

Corporate Rating Methodology (September 2012)

Figure 3

Approved and Actual Capitalisation over FY08-FY12

Particulars (INRbn)	FY08	FY09	FY10	FY11	FY12	Total
Approved capitalisation	1.9	1.85	12	7	7.23	29.98
Actual capitalisation	0.67	1.47	0.95	6.25	5.60	14.94
Difference	1.23	0.38	11.05	0.75	1.63	15.04
% achieved	35	79	8	89	77	50

Source: DTL, Ind-Ra

Since DTL has excess billing of INR4.66bn, the receivables position also looks stretched. Hence, in light of the excess billing, the actual debtors would be lower than the INR10.2bn on DTL books.

Past DVB Arrear Recovery

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.

DERC filed a statutory appeal in the Supreme Court and did not allow this amount in DTL's ARR as the matter was sub-judice and not finalised. The ATE again ruled in favour of DTL whereas DERC did not allow this amount to DTL till FY13. However, in MYT order passed by the DERC dated 31 July 2013, DERC recognised DVB arrears to the extent of INR16.9bn till FYE14. INR5.4bn has been allowed to be recovered in FY14 and balance amounting to INR11.5bn has been carried forward for recovery in the future.

Financial Analysis

Revenue

DERC has finalised the following ARR for DTL for FY13-FY15 based on an annual fixed asset capitalisation of INR4bn. This provides predictability and stability to the revenue stream. However, the ARR for FY13-FY15 has been calculated based on a closing regulated return base of INR22.2bn which includes INR7.23bn as assets capitalised in FY12. As the assets capitalised in FY12 are lower at INR5.6bn, the trued-up ARR figures will be lower than the ones currently approved by DERC.

Figure 4

ARR for FY13-FY15

Particulars (INRm)	FY13	FY14	FY15
ARR (current year)	5,587	6,394	7,348
Additional power purchase liability for period (FY02-FY07)	97.2		
Payment to Pension Trust	1,600		
Total ARR	7,554	6,394	7,348

Source: DTL, Ind-Ra

High Leverage and Healthy Coverage

DTL's leverage remained high on account of high debt levels for large capex over FY08-FY12 and planned capex over FY13-FY15. Leverage was lower in FY12 as revenue included prior period items. However, interest coverage remained healthy as 20%-30% of the interest expense is capitalised as it is a part of interest during construction. The company has relied primarily on long-term debt from GoNCTD and banks for meeting its capex requirements.

Figure 5

Leverage

Particulars	FY10	FY11	FY12
Debt (INRbn)	10.8	13.3	20.3
Net leverage (x)	4.12	3.51	1.19
Interest expense (INRm)	791	1,169	1,678
Interest capitalised (INRm)	274	583	1141
% Interest capitalised	35	50	68
Gross interest coverage (x)	4.2	6.1	23.8

Source: DTL, Ind-Ra

Figure 6

Debt Structure

Particulars(INRm)	FY10	FY11	FY12
Power bonds	2,000	2,000	2,000
Bank Loans	4,300	10,505	11,990
Others	318	292	263
From state government	4,144	443	6039
Overdraft		24	
Total debt	10,762	13,263	20,291

Source: DTL, Ind-Ra

Annex 1

Figure 7

Financial Summary

Particulars (INRm)	Mar 09	Mar 10	Mar 11	Mar 12
Profitability				
Revenue	3,266	3,363	4,542	14,122
Revenue growth (%)	42	3	35	211
Operating EBIT	1,920	1,682	2,901	11,818
Operating EBITDA	2,450	2,201	3,594	12,780
Operating EBITDA margin (%)	75	65	79	90
FFO return on adjusted capital (%)	19	16	14	32
Free cash flow margin (%)	-5	-113	-149	-21
Coverage Ratios				
FFO gross interest coverage	3.4	3.7	4.5	20.0
Operating EBITDA/gross interest expense	4.9	4.2	6.1	23.8
FFO fixed charge coverage (inc. rents)	3.4	3.7	4.5	20.0
FCF debt-service coverage	0.7	-6.3	-10.1	-4.6
Cash flow from operations/capex	0.9	0.2	0.2	0.6
Debt Leverage of Cash Flow (x)				
Total debt with equity credit/operating EBITDA	2.6	4.9	3.7	1.6
Total debt less unrestricted cash/operating EBITDA	2.1	4.1	3.5	1.2
Balance Sheet Summary				
Cash and equivalents (unrestricted)	1,022	1,695	634	5,075
Restricted cash and equivalents				
Short-term debt			24	
Long-term senior debt	1,768	6,618	12,797	14,253
Subordinated debt	4,507	4,144	442	6,039
Equity credit				
Total debt with equity credit	6,275	10,762	13,263	20,291
Off-balance-sheet debt	643	0		
Lease-adjusted debt	6,918	10,762	13,263	20,291
Fitch- identified pension deficit				
Pension adjusted debt	6,918	10,762	13,263	20,291
Cash Flow Summary				
Operating EBITDA	2,450	2,201	3,594	12,780
Gross cash interest expense	-501	-524	-587	-537
Cash tax	-48	-38	-324	-2,098
Associate dividends			4	3
Other Items before FFO (incl. interest receivable)	-931	-211	-628	165
Funds from operations	970	1,428	2,059	10,313
Change in working capital	701	-336	-295	-5,772
Cash flow from operations	1,671	1,092	1,764	4,541
Total non-operating/non-recurring cash flow	30	50	10	
Capital expenditures	-1,792	-4,848	-8,401	-7,527
Dividends paid	-83	-106	-127	0
Free cash flow	-174	-3,812	-6,754	-2,986
Net (acquisitions)/divestitures				
Net equity proceeds/(buyback)			3,190	
Other cash flow items	1	-2	2	398
Total change in net debt	-173	-3,814	-3,562	-2,588

Source: DTL, Ind-Ra

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Annex 2: Details of Bank Facilities as of July 2013

Figure 8
Working Capital Facilities

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

Source: DTL, Ind-Ra

Figure 9
Long-Term Loan/Facilities

Loan	Rating	Outstanding/Sanction (INRm)
State Bank of India	IND A+	4,239
Allahabad Bank	IND A+	761
Total long-term loans		5,000

Source: DTL, Ind-Ra

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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.