

Power - Transmission

Industry Code (as per CMIE Prowess): 0101030205000000'

June 2022

Overall Industry Risk Score: **15/20 | Favourable**

Sample Size: 18 Companies

Median Rating Value of sample size: A+

Individual Parameters Contributing to the Score

Demand & Supply Balance



12/20

DS Equilibrium

With increasing electrification, household demand for power is on continual increase, there has been a slowdown in industrial demand in FY21. The peak power demand exceeded 200 GW in first week of July 2021. As per growth summary figures published on CEA website, the transmission lines in the country up to March 2022 were 4,56,716 cKm (as compared to 4,41,821 cKm in March 2021). Similarly, for Substations the capacity as on March 2022 was 11.04 lac MVA vis a vis 10.25 lac MVA in March 2021. There is significant demand for transmission infrastructure to cater to the significant power demand. Power Grid Corporation of India Ltd is the Central Transmission Utility responsible for planning, implementation, operation and maintenance of ISTS (Inter State Transmission System) & operation of Regional & National Power Grids.

Extent of Competition



16/20

Low competition/ Entry Barriers

The power transmission sector in India is largely vested with central and state government companies which have exclusive rights to develop infrastructure and transmit power in their own jurisdiction. The transmission companies maintain near monopoly over their respective geographies. While private sector players have been allowed to build and operate transmission lines under BOT model, competition is expected to be limited in view of heavy investment and geographical monopolies.

Regulatory Risk



16/20

Stable Regulatory environment

As electricity is critical for the economy, the sector as a whole has a strong support from the government policies such as UDAY, National Smart Grid Mission etc. This sector has recorded robust growth mainly because of the government's focus on building power infrastructure and ensure nation wide electrification.

Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

While the sector is highly capital intensive and significantly leveraged, it is able to access long term debt at competitive rates. The revenue streams of transmission players are linked to maintain infrastructure availability at normative levels. There are no input risks as the funding costs and the operating costs are recoverable through transmission charges.