# Steady cash flows, low risk make power transmission segment a safe bet

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With over 22,000 megawatts (MW) of installed power capacity starved of coal and natural gas supplies, power generation is no longer the hot investment target it used to be. What is taking its place—where everybody now wants a piece of the action—is last-mile delivery of power: transmission.

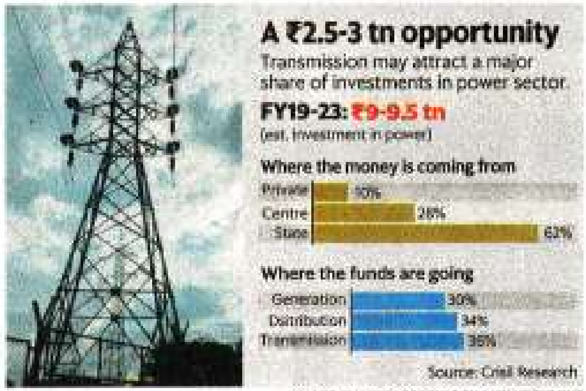
The Central Electricity Authority has said that 46,000MW of installed power capacity in India is stranded because of poor last-mile connectivity and inadequate transmission and distribution infrastructure. Building this capacity will attract investments of ₹2.5-3 trillion over the next five years, the industry research arm of credit ratings firm Crisil has estimated.

Rahul Prithiani, director, Crisil Research, said in an interview: "Compared to other segments in the power chain, transmission is a relatively low-risk segment. Once you put up the transmission line, your payments are secured. You only have to incur operation and maintenance expenses. Many operational projects here are low-risk and can easily raise debt funding."

**The sector is ripe for acquisition, with debt-laden firms putting up their transmission assets on block to pay off loans**

"Transmission is one of the few options that are low risk and has a steady stream of cash flows," Prithiani said. "It has a moderate returns profile, but for many companies scouting for projects in a market bereft of opportunities, transmission is a safe bet. So players from several related sectors are entering this space."

The transmission sector is ripe for acquisition at the moment, with several debt-laden power firms putting up their operational transmission assets on the block to pay off loans.

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Adani Transmission, with a cumulative transmission network of 12,000 circuit km (ckm), is the largest in the segment in India. Last November, it bought 3,063ckm of transmission lines from stressed Reliance Infrastructure for ₹1,000 crore.

Renewable energy company Greenko Group has been eying operational assets for a while. *Mint* reported in January that the company was in talks with Essel Infraprojects to buy five of its transmission projects. Greenko is also in talks with Hyderabad-based Megha Engineering and Infrastructures to acquire ₹6,000 crore of transmission projects in Uttar Pradesh, *Economic Times* reported on 13 June.

Kalpataru Power Transmission Ltd has seen its order inflow in transmission rise 51% year-on-year in FY18 to ₹9,341 crore from the previous year, the company disclosed in its Q4 results.

In recent interviews, senior executives of Tata Power and Sterling and Wilson, a Shapoorji Pallonji Group company, have also expressed interest in buying out transmission assets.

The transmission line business enjoys a longer asset life of 50 years as compared to other infrastructure projects such as roads. They also have higher payment security and lower counterparty risk because payments come through the Power Grid Corporation of India, which acts as the central transmission utility. Also, transmission projects receive tariffs based on the availability of transmission line and not the quantum of power transmitted through it, which makes the asset a safe bet for investors.