

ONGC Tripura Power Company Limited

January 05, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities-Term Loan	1,840.00 (reduced from 2,024.00)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Long term Bank Facilities-Cash Credit	414.00 (enhanced from 200.00)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short term Bank Facilities-LC/BG	120.00 (reduced from 150.00)	CARE A1+ (A One Plus)	Reaffirmed
Short term Bank Facilities-Term Loan	300.00	CARE A1+ (A One Plus)	Reaffirmed
Total	2,674.00 (Rupees Two Thousand Six Hundred Seventy Four Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of ONGC Tripura Power Company Limited (OTPC) continues to derive strength from the strategic and operational support from its major shareholder i.e Oil and Natural Gas Corporation Limited (ONGC, rated CARE AAA; Stable/ CARE A1+), its firm fuel supply arrangement with ONGC and revenue visibility backed by long and medium term Power Purchase Agreement (PPA) for almost its entire capacity. The ratings also factor in satisfactory operational performance of the project as reflected in its plant availability factor (PAF) of 85.07% and plant load factor (PLF) of 81.82% in H1FY21 (refers to the period April 01 to September 30), backed by stable supply of gas from ONGC. While the ratings take cognizance of the moderation in PAF and PLF in FY20 caused by technical outage in one of the units which impacted its availability for six months.

The rating strengths are however, constrained by moderation in financial risk profile coupled with moderate capital structure and weak financial risk profile of its power off-takers.

Key rating sensitivities

Positive Factors- Factors that could lead to positive rating action/upgrade.

- Improvement in debt coverage indicators with Total Debt to GCA below 1.50x on sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade.

- Material decline in the operational performance of the project with PAF below normative parameters on a sustained basis.
- Decline in the shareholding of ONGC along with reduction in financial and managerial support to the company and deterioration in the credit profile of ONGC.
- Material increase in the receivables of the company with collection period of above 200 days on sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Strategic and operational support from ONGC and experienced management

ONGC is a Maharatna company and has dominant position in the domestic oil & gas sector. ONGC, being the largest shareholder in the JV provides strategic and operational support to OTPC. The board of OTPC is chaired by the Chairman and Managing Director of ONGC. OTPC also has other ONGC-nominated directors in the board.

In terms of the management of OTPC, the other members of the board have decades of experience in power plant, oil & gas operations and finance across reputed PSUs, infrastructure conglomerates and financial institutions. Also, the project is a profitable gas-based power plant in the north east region due to its strategic importance.

Satisfactory operational performance

OTPC has reported satisfactory operational performance as seen in its plant availability factor (PAF) of 85.07% and plant load factor (PLF) of 81.82% in H1FY20. The PAF in H1FY21 is in line with the normative PAF prescribed by CERC for full recovery of fixed costs. The achievement of Normative PAF by OTPC is attributable to stable supply of gas by ONGC which stood at average 2.73 million metric standard cubic meters per day (MMSCMD) during the above period. Going forward, the sustainability of such gas supply for the achievement of normative parameters shall be important from credit perspective.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

During FY20, the company reported moderation in operational performance with PAF and PLF of 62.64% and 60.59% respectively compared to 74.67% and 74.01% respectively in FY19. The moderation is attributable to non-operation of one unit of the project for six months due to problem with the rotor blade of the turbine. Due to logistics issue of the region, the repairing work took time and plant availability was impacted for six months. The unit was again commissioned on March 31, 2020.

Firm fuel supply arrangement

The Gas Sale and Purchase Agreement (GSPA) with ONGC for supplying 2.65 MMSCMD of gas is sufficient to meet more than 90% of OTPC's requirement at normative operation. The GSPA is valid for a base term of 15 years from the commercial supply date. As per the agreement, OTPC may prior to the expiry of base term, request ONGC for renewal of GSPA for two five year terms. OTPC sources gas at competitive tariff from ONGC leading to lower cost of generation and hence competitive tariff for its customers in North Eastern India.

Healthy revenue visibility backed by long and medium term PPA

OTPC has entered into a 25-yr PPA with the states in the northeast for 86.5% of the total project capacity as per the allocation decided by Ministry of Power, Gol. The tariffs in the long-term PPAs is based upon Central Electricity Regulatory Commission (CERC) tariff guidelines which assures a 15.5% ROE after accounting for the expenses. Approximately 8.95% of the total capacity is tied up through 3 year PPA (renewed after every 3 years) to Assam Power Distribution Company Limited (APDCL) at a fixed tariff of Rs. 3.54/unit. During FY20, the company has signed additional PPA for 2.06% of the total capacity with APDCL for the period November 2019 to March 2021. The balance power is being sold through merchant.

Key Rating Weaknesses

Moderation in financial risk profile in FY20

OTPC has healthy financial risk profile though it has reported moderation in total operating income and profitability in FY20. The company has witnessed de-growth in its total operating income by around 11% vis-à-vis FY19 while PAT margin stood at 5.47% in FY20 as compared to 14.06% in FY19. The moderation is attributable to non-operation of one unit for six months which impacted the plant availability thereby leading to under recovery of fixed costs. The company has filed for insurance claim of Rs. 145 crore on account of property damage including loss of revenue which is currently under process.

The company has moderate capital structure, evident from overall gearing of 1.48x as on March 31, 2020 (1.50x as on March 31, 2019). Further, the interest coverage ratio and total debt by gross cash accruals stood at 2.73x and 6.83x for FY20 (PY: 3.62x and 4.68x respectively).

Weak financial health of its off-takers

Although the company has long-term PPAs in place for majority of its generation capacity, it is exposed to counter party credit risks in view of relatively weak financial health of its power off-takers. The risk is, however, partially mitigated as it supplies relatively cheaper power to the beneficiaries. As per PPA, OTPC has payment terms of up to 45 days with its off-takers and has also obtained LC of amount equivalent to a month of power purchase. OTPC also charges LPSC of 12% p.a. on the outstanding balance thereafter. In the past, the company has received timely payment from the DISCOMs and collection period stood at 43 days as on March 31, 2020. However, the company has experienced delays in receipt of payment due to lockdown imposed by the Government in view of Covid-19 pandemic.

Liquidity position: Adequate

OTPC has adequate liquidity profile supported by cash and liquid investment of Rs. 78 crore as on November 27, 2020. Also, the company is expected to generate adequate cash accruals vis-a-vis debt repayment obligations in FY21. The company has not availed the moratorium under Covid-19 regulatory package announced by RBI and paid all the dues. The liquidity profile of the company is also supported by moderate utilization of working capital facilities coupled with buffer available in commercial paper limit as on December 22, 2020. The payments from the DISCOMs are being received though with some delay.

Analytical approach: Standalone while factoring operational, strategic and financial support from its majority shareholder, ONGC.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology – Power Generation Projects](#)

[Financial ratios – Non-Financial Sector](#)

Factoring Linkages in Rating
Liquidity Analysis of Non-financial Sector Entities

About the Company

OTPC is a joint venture of ONGC, IL&FS Energy Development Company Limited (IEDCL) and its nominees, IL&FS Financial Services Limited (IFIN), the Government of Tripura (GoT) and India Infrastructure Fund – II. OTPC has implemented a 726.6 MW (2X363.3 MW) Combined Cycle Gas Turbine (CCGT) power project in Palatana, Tripura. The COD of the first unit was declared on January 4, 2014 whereas the second unit started commercial operations on March 24, 2015. The power evacuation from the power plant is being done through a 400 KV double circuit 663 km transmission line by North East Transmission Company Ltd.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total Operating Income	1,452	1,290
PBILDT	628	435
PAT	204	71
Overall Gearing (times)	1.50	1.48
Interest coverage (times)	3.62	2.73

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	414.00	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	120.00	CARE A1+
Fund-based - ST-Term loan	-	-	-	300.00	CARE A1+
Fund-based - LT-Term Loan	-	-	March, 2029	1840.00	CARE AA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	414.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Oct-19)	1)CARE AA-; Stable (01-Mar-19) 2)CARE AA-; Stable (05-Apr-18)	-
2.	Non-fund-based - ST-BG/LC	ST	120.00	CARE A1+	-	1)CARE A1+ (09-Oct-19)	1)CARE A1+ (01-Mar-19) 2)CARE A1+ (05-Apr-18)	-
3.	Fund-based - ST-Term loan	ST	300.00	CARE A1+	-	1)CARE A1+ (09-Oct-19)	1)CARE A1+ (01-Mar-19) 2)CARE A1+ (05-Apr-18)	-
4.	Fund-based - LT-Term Loan	LT	1840.00	CARE AA; Stable	-	1)CARE AA; Stable (09-Oct-19)	1)CARE AA-; Stable (01-Mar-19) 2)CARE AA-; Stable (05-Apr-18)	-

Annexure-3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Term loan	Simple
4.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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