ONGC Tripura Power Company Limited

December 11, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,127.00 (Reduced from 2,207.00)	CARE AA; Stable	Reaffirmed
Short-term bank facilities	200.00 (Enhanced from 120.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings of ONGC Tripura Power Company Limited (OTPC) continues to derive strength from the strategic and operational linkages with its major shareholder, i.e., Oil and Natural Gas Corporation Limited (ONGC, rated 'CARE AAA; Stable/CARE A1+'), a 'Maharatna' company. CARE Ratings understands that ONGC is likely to provide need-based financial support to OTPC as it continues to remain a strategic asset. The ratings favourably factor OTPC's firm fuel supply arrangement with ONGC at a competitive rate leading to competitive tariff for its off-takers. The ratings also factor the long-term power purchase agreements (PPAs) for 94.06% of its capacity with tariff based on the Central Electricity Regulatory Commission (CERC) guidelines, which ensures long-term revenue visibility and fixed return on equity. The ratings derive support of the comfortable financial risk profile of the company characterised by improvement in operational performance along with comfortable leverage and strong liquidity~~.~~

The ratings take cognisance of the challenges faced by the plant in terms of gas and machine availability in the past although gas exploration initiatives have been higher in the recent years. The ratings also factor in the below-normative plant availability factor (PAF) during FY23 (refers to the period from April 01 to March 31) and H1FY24 (refers to the period from April 1 to September 30) on account of scheduled maintenance, which has led to lower earnings for the company.
The rating strengths are constrained by weak financial risk profile of its power off-takers and single asset operations of the company.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in debt coverage indicators with total debt to gross cash accruals (TDGCA) below 1.50x on a sustained basis.
- Improvement in the credit profile of off-takers with sustained lower level of average collection period for the company.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Material decline with PAF below normative parameters on a sustained basis.
- Decline in the shareholding of ONGC along with reduction in the 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 more than 200 days on a sustained basis.
- Any large debt-funded capex/ acquisition which may lead to sharp deterioration in leverage and coverage metrics.

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

Outlook: Stable

The 'stable' outlook reflects OTPC's ability to sustain reasonable operational performance and steady collection from its off-takers. Furthermore, the financial risk profile is supported by a healthy coverage metrics and reducing leverage.

Detailed description of the key rating drivers

Key strengths

Strategic and operational support from ONGC and experienced management

ONGC is a Maharatna company and has dominant position in the domestic oil and gas sector. Being the largest shareholder in the joint venture (JV), ONGC provides strategic as well as operational support to OTPC, which has multiple ONGC-nominated directors on the board. The project's ability to monetise the available gas of ONGC in the Tripura as well as clock profit and pay

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

dividend on a regular basis adequately demonstrate its strategic and economic importance for ONGC. Given the economic incentive provided to ONGC, CARE Ratings believe that ONGC is likely to provide need based support to OTPC.

In terms of the management of OTPC, the other members of the board have decades of experience in power plant, oil and gas operations and finance across reputed public sector undertakings (PSUs), infrastructure conglomerates and financial institutions.

Firm fuel supply arrangement
The Gas Sale and Purchase Agreement (GSPA) with ONGC for supplying 2.65 million metric standard cubic metre per day (MMSCMD) of gas is sufficient to meet more than 90% of OTPC's requirement at normative operations. The GSPA is valid for a base term of 15 years from the commercial supply date. As per the agreement, prior to the expiry of the base term, OTPC might 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.

Higher exploration activities carried out by ONGC to improve gas availability
The company had witnessed lower supply of gas by ONGC in the past due to limited availability in the region. CERC had also relaxed the normative PAF for the project due to lower availability of fuel from March 24, 2015 to September 30, 2018. However, ONGC has been undertaking exploration activities in the region, which has resulted into improved supply of gas to the project. CARE Ratings notes that going forward, the sustainability of such gas supply for the achievement of normative parameters shall be important from the credit perspective.

Revenue visibility provided by long-term PPAs
OTPC has entered into a 25-year PPA with the discoms in the north-eastern states for 96.04% of the installed capacity. The beneficiaries are billed based on the two-part tariff structure (i.e., fixed charge and energy charge). Energy charge is a pass-through item, subject to the plant meeting normative operational parameters. The component of annual fixed charge includes the return on equity, depreciation, interest on loan capital, interest on working capital and operations and maintenance expenses. It is recoverable fully upon meeting the normative PAF (NAPAF) of 85%. The company is selling the remaining power generated on merchant basis.

Comfortable financial risk profile of the company
In FY23, although PAF and plant load factor (PLF) improved to 77% (PY: 64%) and 77% (PY: 69%), respectively, it still remained below normative levels, leading to improved generation. Hence, gross cash accrual (GCA) improved from ₹333 crore in FY22 to ₹408 crore in FY23. The total debt/profit before interest, lease, tax and depreciation (TD/PBILDT) thus improved to 2.45x (PY: 4.00x). Interest coverage also improved to 5.14x in FY23 (PY: 3.31x). Despite the payment of dividend of ₹78.40 crore (PY: ₹78.40 crore) in FY23, the overall gearing improved from 1.03x as on March 31, 2022 to 0.83x as on March 31, 2023. TD/PBILDT is likely to improve to below 2.0x in FY25 while the projected average DSCR is expected to be above 1.3x.

Liquidity: Adequate
The company has adequate liquidity profile backed by cash and equivalent of ₹12.00 crore as on November 21, 2023. The company has working capital limits of ₹300 crore, average utilisation of which stood low at 6% for the trailing 12 months ended August 2023. The liquidity profile is further supported by expected GCA in FY24 having adequate headroom over its repayment obligation. The company's healthy cash accruals, liquid investments, and minimal utilisation of bank limits provides it a cushion against funds mismatches, if any, as well as any adverse market scenarios.

Key weaknesses
Issue of gas and machine availability in the past
OTPC had lower PAF in FY18 and FY19 as a result of lower gas availability in the region. In FY20, although the gas availability improved, one of the units was shut for six months on account of the delay in repair of a rotor blade fault. The operational performance in FY21 was satisfactory with PAF and PLF of 81.48% (though still lower than NAPAF) and 79.55%, respectively.
However, non-availability of manpower for scheduled maintenance during the second wave of COVID-19 had resulted in low PAF and PLF of 64.90% and 64.19%, respectively, in FY22. The PAF and PLF has improved to 77.58% and 77.03%, respectively, during FY23. The auxiliary power consumption of the plant has been higher due to retrofits required to regularise the lower pressure of gas supply. CARE Ratings will continue to monitor the ability of the plant to minimise the under-recovery of capacity charge and energy charge, going forward.

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 the counter party credit risks in view of relatively weak financial health of its power off-takers. However, the risk is partially mitigated as it supplies relatively cheaper power to the beneficiaries and ranks high in the merit order dispatch of the off-takers. As per PPA, OTPC has payment terms of up to 45 days with its off-takers and has also obtained LC (except from Meghalaya discom) of amount equivalent to a month of power purchase.
The company had experienced delays in the receipt of payment due to lockdown imposed by the Government in view of COVID-19 pandemic. However, the receivable has gradually eased out as on March 31, 2022 and March 31, 2023. CARE Ratings notes that going forward, timely receipt of the payments will remain a key monitorable.

Applicable criteria
Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Short Term Instruments
Infrastructure Sector Ratings
Thermal Power
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power generation

OTPC is a JV of ONGC, GAIL (India) Limited, the Government of Tripura (GoT), and India Infrastructure Fund – II (IIF-2). OTPC has implemented a 726.6-MW (2X363.3 MW) Combined Cycle Gas Turbine (CCGT) power project in Palatana, Tripura. The commercial operations date (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 (₹ crore)	FY22 (A)	FY23 (A)	H1FY24 (UA)
Total operating income	1,264.05	1,631.47	807.13
PBILDT	366.65	519.74	206.47
PAT	106.64	201.12	52.13
Overall gearing (times)	1.03	0.83	NA
Interest coverage (times)	3.31	5.14	4.10

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for last three years: Please refer Annexure-2

Covenants of rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	480.00	CARE AA; Stable
Fund-based - LT-Term loan		-	-	NA*	509.00	CARE AA; Stable
Fund-based - LT-Term loan		-	-	December 2028	1138.00	CARE AA; Stable
Non-fund-based - ST-BG/LC		-	-	-	200.00	CARE A1+

*Proposed debt

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash credit	LT	480.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-22)	1)CARE AA; Stable (17-Sep-21)	1)CARE AA; Stable (05-Jan-21)
2	Non-fund-based - ST-BG/LC	ST	200.00	CARE A1+	-	1)CARE A1+ (29-Sep-22)	1)CARE A1+ (17-Sep-21)	1)CARE A1+ (05-Jan-21)
3	Fund-based - LT-Term loan	LT	509.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-22)	1)CARE A1+ (17-Sep-21)	1)CARE A1+ (05-Jan-21)
4	Fund-based - LT-Term loan	LT	1138.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-22)	1)CARE AA; Stable (17-Sep-21)	1)CARE AA; Stable (05-Jan-21)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Rajashree Murkute Senior Director **CARE Ratings Limited** Phone: +91-22-6837 4474 E-mail: rajashree.murkute@careedge.in Agnimitra Kar Associate Director **CARE Ratings Limited** Phone: +91-120-445 2019 E-mail: agnimitra.kar@careedge.in Pranav Bothra Rating Analyst **CARE Ratings Limited** E-mail: pranav.bothra@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in