

## IL&FS Tamil Nadu Power Company Limited

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	2,251.01	CARE BB; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE D ; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings of IL&FS Tamil Nadu Power Company Limited (ITPCL) favourably factors in the implementation of the Resolution Plan (RP) under the Prudential Framework for Resolution of Stressed Assets. As per the plan, all of the lenders have been paid out the respective share i.e. greater than 20 percent post agreement to the terms of RP. Since implementation, company has been servicing its debt repayment in the structured manner and has adhered to all the terms of the Resolution Plan, as confirmed by the lenders.

The ratings also factor in the presence of a long-term power purchase agreement (PPA) with Tamil Nadu Generation and Distribution Limited (TANGEDCO) for 540 MW for 15 years till September 2028 from Unit -I (600 MW), thereby providing revenue visibility. The project has benefited from imposition of Section 11 on imported coal plants under Electricity Act, 2003 since April 2022 which has improved the realization of variable cost. The robust growth in power demand in the country coupled with healthy realization in merchant/short term sales and decline in imported coal prices has improved the plant load factor and profitability of unit II which lacked long term PPAs. The ratings derive comfort from the improved operational performance of the plant during FY24 and H1FY25 characterised by a healthy plant availability factor (PAF), plant load factor (PLF), and improved contribution margins (realization less fuel cost per unit). The realization of past dues via EMI scheme from TANGEDCO and disputed receivables from PTC has aided the liquidity profile of the company as evident from healthy cash balances of Rs 2,355 crore as on November 18, 2024.

The rating strengths are offset by the high counterparty credit risk emanating from the sale to TANGEDCO which has weak credit profile as evident from delay in payments in the past. However, TANGEDCO has been making payments in a timely basis post implementation of EMI scheme as reflected by the receipt of 28 out of 48 monthly instalments till December 2024. The ratings are also constrained by absence of long-term power purchase agreement for Unit-II (600 MW) which is exposed to demand and price risk associated with merchant sales. The company is also exposed to price and foreign exchange risk due to lack of long-term fuel (coal) supply arrangement for the entire capacity. The ratings are constrained by high offtake risk owing to high landed cost of imported coal vis-à-vis domestic coal leading to lower position in merit order. Hence, power offtake from Unit-II via the merchant route/short term sale is contingent upon power sale realizations exceeding Rs 5 per unit. The energy charge component in PPA with TANGEDCO is non-escalable in nature exposing the company to fuel price risk as higher imported coal price can severally impact the profitability of the project as evident in the past when imported coal prices exceeded USD 70 per tonne. The company is exposed to regulatory risk as imposition of Section 11 has improved the viability of the project and withdrawal of the same may have an adverse impact on the company.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Signing of LT/MT PPA at remunerative tariff for the full capacity.
- Sustained improvement in operational performance.
- Faster than expected deleveraging, leading to improved coverage indicators.

#### Negative factors

- Lower than envisaged realization of regulatory receivables, weaker realization on power sale on a short-term basis, subdued PAF, leading to lower capacity charge recovery thus impacting the coverage metrics.
- Normal receivable period elongating beyond 180 days on a sustained basis, adversely impacting the liquidity.

**Analytical approach:** Standalone.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Outlook: Stable**

The 'stable' outlook factors in presence of long term PPA for Unit I with TANGEDCO, satisfactory operational performance in line with recent past, healthy contribution margin (realization less fuel cost per unit) and timely collection from its off-takers.

**Detailed description of key rating drivers****Key weaknesses****Limited PPA tie up exposing company to demand risk**

The company has tied up a long-term PPA for Unit 1 with TANGEDCO till September 2028. However, for Unit II, company sells power through Short term contacts with various state discoms. Tie up of PPA for Unit II and renewal of PPA with TANGEDCO for Unit I after September 2028 would remain a key rating monitorable.

**Fuel supply risk due to lack of FSA**

ITPCL operates its plant on imported coal. However, the company does not have long-term arrangements in place thereby exposing the company to fuel price and quantity risk. Company is procuring coal from spot market exposing it to the fluctuations in price volatility of the same. Also, the energy charges in PPA with TANGEDCO has only non-escalable components and any increase in the imported fuel cost can lead to lower contribution margins and impact the overall profitability of the company.

**Counterparty credit risk**

Company is exposed to counterparty risk given weak credit profile of TANGEDCO for Unit 1 (540 MW) as there has been significant delay in the past in recovery of dues. However, TANGEDCO has opted for liquidation of past receivable via the LPSC scheme and converted its outstanding dues into 48 EMIS. As on December 2024, 28 monthly instalments of Rs 43.14 Cr have been received from TANGEDCO under LPS Scheme and remaining instalments are expected to receive over the next 1.5 years.

**Exchange fluctuation risk**

The project is exposed to interest rate & foreign exchange risks. As per PPA terms, the forex fluctuations are pass-through in U-I, however the company is subject to foreign exchange fluctuation risk for U-II, since the long term PPA is yet to be signed, where company is currently selling power through short term PPAs.

**Key strengths****Delay free track record post implementation of restructuring**

The company had adopted the resolution plan for restructuring on September 30, 2023 with the consent of majority of the lenders as per RBI circular dated June 07, 2019. Basis the same, the Resolution plan has been successfully implemented and as on date all the lenders have been paid out their respective share i.e. greater than 20 percent (specified period) post agreement to the terms of RP. Since implementation, company has been servicing its debt repayment in the structured manner and has adhered to all the terms of the Resolution Plan.

**Improvement in operational performance during FY24 and H1FY25**

The operational performance of the entity has improved since FY2024 as evident from increase in PLF from 21.9% in FY23 to 70.6% in FY24 (H1FY25: 75.6%). Also, with PAF remaining above 85%, company is able to recover full capacity charge under the PPA with TANGEDCO. Due to the invocation of Section 11 as well as demand supply mismatch, ITPCL has experienced a high demand for its power production at healthy realization. The overall profit margin has also improved during the period given strong accruals under short term merchant market and softening in the prices of imported coal over the last two years resulting in satisfactory contribution margins.

**Positive regulatory measure by way of imposition of Section 11 for imported coal plants**

Ministry of Power invoked Section 11 of The Electricity Act, 2003 in April 2022 as an emergency measure given demand supply mismatch under the country. Under the provision, it was mandated for all the imported power plants to must-run basis requirement by the discom and adequate compensation for under recovery of energy charges. MoP has been issuing a benchmark energy charge rate for selected import coal-based power plants based on the recommendation of the committee (separate for all plants). Such benchmark energy charges are higher than PPA energy charges, thereby incentivizing imported thermal power plants to operate.

Post invocation of Section 11, the under recovery in energy charges under PPA with TANGEDCO has substantially reduced since the energy charges were non-escalable in nature and any increase in imported fuel price was not pass through. However, it may be noted that the benchmark rate notified by MoP is lower than the actual fuel cost leading to under recovery. The total under recovery in coal cost on per unit basis would be 35-40 paise per unit. Company has filled for the same with the respective authority

to allow a full pass as the plant is operating under Section 11 notification. TNERC has already approved the benchmark price notified by MoP. Subsequently, the company is billing at the same and has been receiving payment from TANGEDCO. Similar petitions have also been filled by other IPPs running on imported coal.

### Improvement in financial risk profile

The financial profile of the company has witnessed significant improvement post the implementation of the restructuring of debt via conversion into sustainable and unsustainable portion. The repayment of the sustainable debt has been structured in 60 quarterly instalment and interest on monthly basis. The last repayment for sustainable debt is in March 2038 while the unsustainable debt will be repaid in FY39 and FY40.

Due to the restructuring, company has reduced its interest burden and principal debt servicing requirement substantially as unsustainable debt is to be repaid only after servicing of sustainable debt with lower rate of interest.

### Liquidity: Adequate

Company has accumulated cash during the years on account of non-service of interest and debt. Also, improvement in operational performance on account of strong demand through Section 11 and reduction in imported coal prices also supported the liquidity. As on November 18, 2024, the company holds a cash balance of ₹2,355 crore and maintains a Debt Service Reserve Account (DSRA) covering one quarter.

### Applicable criteria

[Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Policy On Curing Period](#)

[Short Term Instruments](#)

[Thermal Power](#)

[Infrastructure Sector Ratings](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

ITPCL is a Special Purpose Vehicle (SPV) promoted by IL&FS Energy Development Company Ltd. (holding 91.38% stake) which itself is a subsidiary of Infrastructure Leasing & Financial Services Limited (holding 91.42% stake). The company has set-up 1,200 MW (2X600 MW) integrated imported coal-based subcritical thermal power plant in Cuddalore, Tamil Nadu. The plants has two units. Unit-1 and Unit-2 were commissioned in September 2015 and April 2016 respectively.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	2,206.35	4,792.07
PBILDT	380.99	973.96
PAT	420.00	2,438.13
Overall gearing (times)	3.11	0.85
Interest coverage (times)	28.60	2.09

A: Audited UA: Unaudited; Note: these are latest available financial results

### Status of non-cooperation with previous CRA:

ICRA continues to categorize rating assigned to the bank facilities of ITPCL under non-cooperation category vide PR dated May 22, 2024 on account of its inability to carry out a rating surveillance in the absence of the requisite information from the company

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2038	2251.01	CARE BB; Stable

#### Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	2251.01	CARE BB; Stable	1)CARE D; ISSUER NOT COOPERATING* (28-Nov-24)	1)CARE D; ISSUER NOT COOPERATING* (30-Nov-23)	1)CARE D; ISSUER NOT COOPERATING* (12-Sep-22)	1)CARE D; ISSUER NOT COOPERATING* (29-Jun-21)

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

### Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: 912267543404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Jatin Arya Director <b>CARE Ratings Limited</b> Phone: 91-120-4452021 E-mail: <a href="mailto:Jatin.Arya@careedge.in">Jatin.Arya@careedge.in</a></p> <p>Shailendra Singh Baghel Associate Director <b>CARE Ratings Limited</b> Phone: 022-6837-4340 E-mail: <a href="mailto:Shailendra.baghel@careedge.in">Shailendra.baghel@careedge.in</a></p> <p>Prajjawal Tyagi Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Prajjawal.Tyagi@careedge.in">Prajjawal.Tyagi@careedge.in</a></p>
--	---

### 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.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**